

THE REFUSE OF THE FEDERAL SPENDING BINGE II: HOW U.S. TAXPAYERS ARE PAYING DOUBLE FOR FAILING GOVERNMENT PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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THE REFUSE OF THE FEDERAL SPENDING BINGE II: HOW U.S. TAXPAYERS ARE PAY- ING DOUBLE FOR FAILING GOVERNMENT PROGRAMS

THURSDAY, MARCH 3, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in room 2154, Rayburn House Office Building, Hon. Darrell E. Issa (chairman of the committee) presiding.

Present: Representatives Issa, Platts, Mack, Walberg, Lankford, Amash, Buerkle, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, Kelly, Cummings, Towns, Maloney, Norton, Kucinich, Tierney, Clay, Connolly, Quigley, Welch, and Murphy.

Staff present: Thomas A. Alexander, senior counsel; Michael R. Bebeau, assistant clerk; Robert Borden, general counsel; Will L. Boyington and Drew Colliatie, staff assistants; Molly Boyd, parliamentarian; Ashley H. Callen, counsel; Sharon Casey, senior assistant clerk; Benjamin Stroud Cole, policy advisor and investigative analyst; John Cuaderes, deputy staff director; Howard A. Denis, senior counsel; Gwen D'Luzansky, assistant clerk; Christopher Hixon, deputy chief counsel, oversight; Tabettha C. Mueller, professional staff member; Laura L. Rush, deputy chief clerk; Jeff Wease, deputy CIO; Lisa Cody, minority investigator; Carla Hultberg, minority chief clerk; Lucinda Lessley, minority policy director; Scott Lindsay, minority counsel; Leah Perry, minority chief investigative counsel; Dave Rapallo, minority staff director; Mark Stephenson, minority senior policy advisor/legislative director; and Cecelia Thomas, minority counsel/deputy clerk.

Chairman ISSA. Good morning. The committee meeting will come to order.

As is the new tradition of this committee, we will begin by reading the Oversight mission statement. We exist to secure two fundamental principles. First, Americans have a right to know their money Washington spends and takes is well spent. And second, Americans deserve an efficient, effective government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers, because taxpayers have a right to know what they get from their government.

We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform

to the Federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

Today's hearing is the second time this committee has met in 2 weeks to consider the effects of wasteful spending have on the Federal Government, the economy and the taxpayers. This week's GAO report exposes serious government breakdowns in effective, efficient use of taxpayer dollars. By conservative estimates, the duplication and fragmentation highlighted in the GAO report represents over \$100 billion in annual losses.

Yet, there was great consternation and 90 hours of hard debate in order to propose just \$62 billion in cuts. The GAO report, unlike the cuts, is not about eliminating services. It is about standardizing, combining, and eliminating duplicative services that cost the American people money without serving an additional use. Meaning, if we cut the bureaucracy, if we cut so many of these programs that repeat and repeat, each of them having high paid and high ranking individuals, and IT groups, and separate publishing and, if you will, advertising campaigns, we can eliminate costs without the American people suffering one loss of the essential services believed to be done by these programs.

I am sure in future times, we will have additional hearings on programs that should simply go away, whether it is one or a hundred within government. But today, we are going to meet with three very talented and very educated individuals, who are going to help us understand what should be a win-win for the American people. Win-win, because we are not talking about cuts. We are talking about cuts in bureaucracy. Cuts in bureaucracy save money, while delivering a better product to the taxpayers.

And with that, I would like to yield the remainder of my time to the gentleman from Florida, Mr. Mack, for his comments.

Mr. MACK. Thank you, Mr. Chairman. I appreciate the hearing today, and I look forward to hearing from our witnesses.

But something strikes me as odd. That is, we have heard the President say over and over again that he is "going to conduct an exhaustive line by line review of the Federal budget and seek to eliminate government programs that are not performing." That is something we can all agree with. Yet we have seen no action on the President's words.

Then we have a hearing today where we invite the Director of OMB, which is a Presidential appointee, and he refuses to show up. So is the President serious about doing a line by line review? Is the Director of the OMB trying to hide or duck the questions?

It is outrageous that we find ourselves at a hearing where we have an opportunity to do something good for the American people, and that is, cut spending and cut this budget and get rid of waste. Mr. Chairman, you talked about the duplication, and \$100 billion, and the Director of OMB won't show up to give us an opportunity to ask questions and find out what we can do to cut this \$100 billion, to find another \$100 billion to cut, to try to bring this budget in line?

I think it is outrageous that the Director doesn't show up. I think it shows a disregard to the legislative branch and the separation of powers. It says to me that the administration and the Director

of OMB is more interested in talking a good game out in the public, but doesn't really want to get to the hard work.

So Mr. Chairman, I look forward to this panel. I look forward to your leadership, but I am extremely disappointed that the Director didn't show up. I am not sure that this administration is serious about cutting spending, if they can't even send the Director.

Chairman ISSA. I thank the gentleman. Reclaiming my time.

Our invitation to the Office of Management and Budget will remain open. I thank the gentleman for his comment.

I now recognize the distinguished ranking member for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, and I thank you for calling this hearing today.

I just want to go immediately to what Congressman Mack just said. I don't think the President is hiding, or the OMB is hiding anything. The fact is that the President, in his State of the Union, made it clear that he is about the business of addressing these issues. And OMB is currently in the process of conducting its own analysis of effective ways of streamlining the government, improve services and cut unnecessary costs.

This task is critical to ensuring Federal programs are working as effectively and efficiently as possible. That is why I signed the letter with the chairman requesting ongoing updates, as OMB takes on this monumental task. It is my understanding that letter will be going out as soon as we get the signatures of two Senators, Collins and Lieberman, I think it is.

But I want to make it clear, and I do believe that again, one of the things about this chairman, I know he likes to do things effectively and efficiently. So I would think that OMB, there will come a time when OMB will appear before us and will be in the best position to provide some testimony that will be helpful.

Now, Mr. Chairman, it is certainly good to see all of our witnesses here today. To Chairman Davis, it is a pleasure to see you again. Your name has been evoked quite favorably around here. So it is good to see you and Darrell.

Chairman ISSA. His picture is shining down on us, too.

Mr. CUMMINGS. Oh, my goodness. [Laughter.]

And Ms. Alexander, it is good to see you again.

Today we will hear the results of a report issued by the Government Accountability Office on duplicative programs and major opportunities to enhance Federal revenues. First, GAO's report demonstrates that there are real opportunities to streamline Federal programs, save taxpayer dollars and deliver services more effectively and efficiently. For example, GAO identified at least 31 entities within the Defense Department that are supposed to address the urgent needs of war fighters. GAO reported that there are challenges with the Department's fragmented guidance. And GAO raised concerns about the numbers and the roles of the various entities and processes involved.

Solving these problems will take dedication, bipartisanship, but it will help both American troops and taxpayers. GAO's report also describes numerous areas where we can recover hundreds of billions of dollars in Federal revenues. For example, GAO highlights that the United States is essentially giving away up to \$53 billion

to oil companies that are not paying royalties on certain leases to extract oil and gas from Federal lands. That is our money.

A lot has been said about what the taxpayers said during the last election. Well, one of the things they said is they don't want to be cheated of their own money. Congress passed legislation in 1995 to give oil companies so-called royalty relief. The goal of the legislation was to encourage production by exempting oil companies from paying royalties to the Federal Government. The legislation was supposed to require companies to start paying royalties when they recouped their investment and began making a profit.

But the legislation was poorly drafted, and when oil companies challenged it in court, they successfully avoided paying any royalties at all. In its report, GAO concluded that this problem could result in \$21 billion to \$53 billion in lost revenue to the Federal Government.

This windfall is going to an industry that is making staggering profits, despite the worst economic downturn since the Great Depression. Mr. Chairman, we need to do significant work on this, and you have. You have been a leader in this area. As a matter of fact, in 2009 you issued a report warning about what would happen if these companies won their lawsuit. You said, any company that entered a similar lease between 1996 and 2000 could escape paying royalties. That was what you said.

You also said this: "The Fifth Circuit decision may force the Federal Government to reimburse companies who have already tendered royalty payments. Depending upon the market price of oil and natural gas, the total costs of foregone royalties could total nearly \$80 billion."

Mr. Chairman, you warned about this problem, and I commend you, I really do, for that. But now we need to fix it. We have to fix it, and it is going to take a bipartisan effort. We just had a vote in the House where we had an opportunity to fix it, and we were not able to.

And so I think, as Mr. Davis has said many times, this is one where we can come together, as Democrats and Republicans. It is a win-win situation, but it is a win-win. It is not a win just for Republicans, not a win just for Democrats, but most importantly, it is a win for the American people. And I just don't want to be sitting here 10 years from now saying the same things, having lost even more money.

So I look forward to the hearing, Mr. Chairman. And I thank you. With that, I yield back.

[The prepared statement of Hon. Elijah E. Cummings follows:]

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Opening Statement Rep. Elijah E. Cummings Ranking Member

Hearing on "The Refuse of the Federal Spending Binge II: How U.S. Taxpayers are Paying Double for Failing Government Programs"

March 3, 2011

Thank you, Mr. Chairman, and welcome to our witnesses. Today, we will hear the results of a report issued by the Government Accountability Office (GAO) on duplicative programs and major opportunities to enhance federal revenues.

First, GAO's report demonstrates that there are real opportunities to streamline federal programs, save taxpayer dollars, and deliver services more effectively and efficiently. For example, GAO identified at least 31 entities within the Defense Department that are supposed to address the urgent needs of warfighters. GAO reported that there are "challenges with the department's fragmented guidance," and GAO raised concerns "about the numbers and roles of the various entities and processes involved." Solving these problems will take dedication, but it will help American troops and taxpayers.

GAO's report also describes numerous areas where we can recover hundreds of billions of dollars in federal revenues. For example, GAO highlights that the United States is essentially giving away up to \$53 billion to oil companies that are not paying royalties on certain leases to extract oil and gas from federal lands.

Congress passed legislation in 1995 to give oil companies so-called "royalty relief." The goal of the legislation was to encourage production by exempting oil companies from paying royalties to the federal government. The legislation was supposed to require companies to start paying royalties when they recouped their investment and began making a profit. But the legislation was poorly drafted, and when oil companies challenged it in court, they successfully avoided paying any royalties at all.

In its report today, GAO concluded that this problem "could result in \$21 billion to \$53 billion in lost revenue to the federal government." This windfall is going to an industry that is making staggering profits, despite the worst economic downturn since the Great Depression.

Mr. Chairman, you did significant work on this issue last Congress. In 2009, you issued a report warning about what might happen if these oil companies won their lawsuit. You said that "any company that entered a similar lease between 1996 and 2000 could escape paying royalties." You also said this:

[T]he 5th Circuit's decision may force the federal government to reimburse companies who have already tendered royalty payments. Depending upon the market price of oil and natural gas, the total cost of foregone royalties could total nearly \$80 billion.

Mr. Chairman, you warned about this problem, and I commend you for that. But now we need to fix it. These funds are not all lost. GAO's estimate is based on future losses over the life of these leases.

Twice over the past two weeks, however, you and your Republican colleagues voted down floor amendments offered by Democrats to bring oil companies with these "no royalty leases" back to the bargaining table. This legislation was defeated on party line votes, despite being carefully drafted to withstand constitutional scrutiny with help from the Congressional Research Service.

Mr. Chairman, before we consider slashing funding for teachers, police officers, and other critical services for Americans in need, we should first demand that oil companies making record profits pay the American taxpayers fair market value for oil they extract from federal lands. It's up to us to fight for the taxpayer. I urge you to reconsider your position and join me and my colleagues. Let's work together to solve this problem.

Chairman ISSA. I thank the ranking member. All Members will have 7 legislative days in which to submit their opening statements for the record.

I now go to our distinguished panel. The Honorable Thomas M. Davis, III, former chairman of this committee, as the ranking member said. He looks down on us every day. Now the director of Federal Government Affairs at Deloitte and Touche, and the man who issued the subpoenas to the oil companies on my behalf in order to begin the process of doing the oversight on those flawed contracts that have cost the American people tens of billions of dollars. I want to thank you for that today publicly.

The Honorable Gene Dodaro, the Comptroller of the United States, appearing I think for the second time as the confirmed Comptroller versus the many times that you appeared before us graciously as the Acting. Your work as a legislative branch employee, spanning both the Executive and legislative branch, providing more than 3,000 people who give us the non-partisan reports and fact-finding that we absolutely rely on.

And Ms. Ryan Alexander, president of the Taxpayers for Common Sense, an often contributor, and welcome back.

Pursuant to the committee's rules, all witnesses are asked to be sworn in before they testify before this committee. If you would please raise your right hands.

[Witnesses sworn.]

Chairman ISSA. Let the record reflect that all witnesses have answered in the affirmative. Thank you. Please be seated.

In order to allow time for discussion, and as my predecessor would say, a longstanding tradition is that you will have 5 minutes. There will be a green light for as long as you may talk freely. There will be a yellow light to warn you that your time is elapsing. And I will be understanding for you to complete your sentence or paragraph, but not much more once it turns red. And that will allow a healthy dialog afterwards.

The chair recognizes Mr. Davis for his opening statement.

STATEMENTS OF THOMAS M. DAVIS III, DIRECTOR OF FEDERAL GOVERNMENT AFFAIRS, DELOITTE AND TOUCHE LLP; GENE L. DODARO, COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; AND RYAN ALEXANDER, PRESIDENT, TAXPAYERS FOR COMMON SENSE

STATEMENT OF THOMAS W. DAVIS III

Mr. DAVIS. Thank you, Chairman Issa and Ranking Member Cummings and colleagues. Thanks for the opportunity to testify before you today. I am doing so in my capacity as a former Member of the House, and specifically chairman of this committee.

I want to thank Gene Dodaro and his staff for putting together an outstanding report that formed the basis of today's hearing. Let me just say, I hope we can engage OMB before this is done. Because we are in this together, Republicans, Democrats, House, Senate, executive branch. We all caused the problem, and I think we all need to be there to solve it, as we look forward to this. At this point, they are not here today, but I think in the future we need

to make sure they are engaged. They are doing some things over there we need to hear about.

During my tenure, I examined how the Government could operate more efficiently, focusing on governance issues, procurement, IT policies, civil service, governmental organization. In this process, I have long said the way we try to extract savings from the Federal Government is to simply cutoff fingers and toes, rather than go after the fat that is molded throughout the body politic.

I still believe that is the case. But as we see in the GAO report issued earlier this week, sometimes Uncle Sam does indeed have a few too many digits, and some surgery may well be in order.

So where does the blame lie? As I noted, there is plenty of blame to go around. There are a lot of places to point the finger. Let me start with Congress. Duplicative and overlapping programs frequently exist because of the way that we in Congress legislate. Indeed, one of the earliest and most enduring lessons I learned upon my election to the House was that jurisdiction trumps all. So while two different Members believe there may be a need for a given Federal service, they will surely write the authorizing legislation with their individual committees in mind.

For example, if a member of the Education Work Force Committee wants to enact a job training program, they will write the legislation to ensure it falls under an agency in that committee's purview. The same would be true of a member of the Veterans Administration. A member of the Financial Services might link job training to low income people in order to guide such a program to HUD.

Thus, we find three different programs with essentially the same goal, job training, under three different agencies. Under this arrangement, they are all funded differently, measured differently and administered differently. Common sense suggests they should be combined to take advantage of economies of scale, or even just to make it easier for the citizens to know where the programs exist.

We can blame the bureaucracy, but in many ways, Congress created the many-headed monster we bemoan in an attempt to protect our jurisdictional prerogatives.

Another point that should be examined: in the quest to corral duplicative or overlapping programs, or to implement broad personnel reforms, the need to implement Government-wide solutions is often discussed. But while the executive branch has the ability to affect such efforts to a certain degree, again, the compartmentalization approach that Congress takes often prevents the type of holistic action required. This is especially true of the appropriations process in which all the subcommittees would have to agree to provide funding for a given initiative, a task akin to asking a cat to take a bath.

Finally, there are areas where unnecessary duplication at the Federal level has ramifications at the State and local levels. Congress should examine the myriad reporting requirements of Federal programs, human service programs, educational programs and transportation programs, to see where we can make better use of consolidated systems. With existing technology, it seems unnecessary to have every State maintain its own reporting system for a given Federal program, when essentially the same information is required from everybody. Government-wide, in the executive

branch, the same culture exists. Too many agencies have erected stovepipes for the delivery of IT services, personnel rules, and internal protocols. The result is that seamless congruencies in communications and information sharing are rare among government departments. Information gets lost, analysis becomes disjointed and operability becomes hindered.

OMB can serve as an effective catalyst for establishing cooperation and communication between agencies, which could in turn lead to an exponential increase in efficiency. It has the authority and the mandate to do so. Unfortunately, under administrations of both parties, the Office of Management and Budget simply becomes the Office of Budget. The concentration falls on the budgetary aspects of agencies' spending, when in fact a management review could yield much more long-term savings.

The key to success is focusing how services are delivered, how services are procured and how information is gathered and analyzed. In these areas, the executive branch seems to be deficient. Reorganizations, mergers and assimilation of redundant programs are not Government skill sets. Often, attempts to reorganize are thwarted by inadequate time constraints, unwilling employee participants and skeptical Federal managers, who know that a slow roll or wait it out approach will always rump the most ambitious change management efforts.

So what can Congress do and what can OMB do to improve the situation? From the congressional standpoint, a complete restructuring of the committee system is unlikely. A first step to avoiding a program duplication or inefficiency, however, might be a CBO-like review of newly proposed programs prior to floor consideration.

In closing, let me just say, there are good, dedicated people working in government. But upon examination of how they are employed, it is clear that some of them are doing tasks they don't need to be doing, performing under regulations that didn't need to be written, filling out forms that should not have been printed. I hope today's hearing marks the start of an effort, and a sustained effort, to address these issues.

Again, I appreciate the opportunity to share my thoughts. I look forward to your questions and ask that my entire statement be put into the record.

[The prepared statement of Mr. Davis follows:]

Statement of the Honorable Tom Davis, former Member of Congress
Refuse of the Federal Spending Binge II: How U.S. Taxpayers Are Paying Double for Failing Programs
March 3, 2011

Chairman Issa and Ranking Member Cummings, thank you for the opportunity to testify here today. I am doing so in my capacity as a former member of Congress, and specifically as the former chairman of this Committee.

During my tenure, I closely examined how the federal government could operate more efficiently, focusing on governance issues – procurement, IT policy, civil service, and governmental organization. In this process, I have long said the way we try to extract savings from the federal government is to simply cut off fingers and toes rather than go after the fat that is marbled throughout. I still believe that is the case, but as we see in the GAO report issued earlier this week, sometimes Uncle Sam does indeed have a few too many digits, and some surgery may well be in order.

So where does the blame lie? There are many places to point the finger, but I would submit as Congress examines this issue, it begin by looking squarely in the mirror.

Duplicate and overlapping programs frequently exist because of the way Congress legislates. Indeed, one of the earliest – and most enduring – lessons I learned upon my election to the House was that jurisdiction trumps all. Thus, while two different members believe there may be a need for a given federal service, they will surely write the authorizing legislation with their individual committee assignments in mind.

For example, if a member of the Education and Workforce Committee wants to enact a job training program, he will write the legislation to ensure it falls under an agency in that committee's purview. The same would be true of a member on the Veterans Affairs Committee. A member on Financial Services might link job training to low income housing in order to guide such a program to HUD.

Thus, we might find three different programs with essentially the same goal – job training – under three different agencies. Under this arrangement, they are all funded differently, measured differently, and administered differently. Common sense suggests they should be combined to take advantage of economies of scale, or even just to make it easier for citizens to know these programs exist.

We can blame the bureaucracy, but in many ways Congress created the many-headed monster we bemoan in an attempt to protect its jurisdictional prerogatives.

Another point that should be examined: in the quest to corral duplicative or overlapping programs, or to implement broad personnel reforms, the need to implement government-wide solutions is often discussed. While the executive branch has the ability to affect such efforts to a certain degree, again the compartmentalized congressional approach often prevents the type of holistic action required. This is especially true of the appropriations process, in which all the subcommittees would have to agree to provide funding for a given initiative – a task akin to getting a cat to take a bath.

Finally, there are areas where unnecessary duplication at the federal level has ramifications at the state and local levels. Congress should examine the myriad reporting requirements of federal programs, human service programs, educational programs, and transportation programs to see where we can make better use of consolidated systems. With existing technology, it seems unnecessary to have every state maintain its own reporting system for a given federal program when essentially the same information is required from all. .

Government wide, in the executive branch, the same culture exists. Too many agencies have erected stove pipes for the delivery of IT services, personnel rules and internal protocols. The result is that seamless congruencies in communications and information sharing are rare between government departments. Information gets lost, analysis becomes disjointed and operability becomes hindered.

OMB can serve as an effective catalyst for establishing cooperation and communications between agencies, which could, in turn, lead to an exponential increase in efficiency. It has the authority and the mandate to do so. Unfortunately, in the administrations of both parties, the Office of Management and Budget simply becomes the office of Budget. The concentration falls on the budgetary aspects of agency spending when, in fact, a management review could yield more long term savings.

The key to success is focusing on how services are delivered, how services are procured and how information is gathered and analyzed. In these areas, the executive branch seems to be deficient.

Reorganizations, mergers and assimilations of redundant programs are not government skill sets. Often, attempts to reorganize are thwarted by inadequate time constraints, unwilling employee participants and skeptical federal managers who know that a "slow roll," wait-it-out approach will always trump even the most ambitious change management efforts.

So, what can Congress do and what can OMB do improve the situation? From the congressional standpoint, a complete restructuring of the committee system is unlikely. A first step to avoiding program duplication or inefficiency, however, might be a CBO-like review of newly proposed programs prior to floor consideration, with corresponding points of order.

OMB and Congress can jointly use this report today to begin a review of duplicative programs, but do so in the context of how the government can better achieve desired outcomes, rather than simply compile their own inventory of programs for the chopping block. Should such an effort proceed, it would be advisable to prioritize based on the greatest potential for gained efficiencies. Program consolidation would not be unlike a merger or acquisition in the corporate world. These consume significant resources, must take into account a number of factors in order to be successful, not the least of which is the culture of the institutions involved. As was mentioned above, there are numerous ways in which those invested in a given program can thwart the best of consolidation efforts.

In closing, there are good, dedicated people working in government. But upon examination of how they are employed, it is clear some of them are doing tasks they don't need to be doing, performed under regulations that did not need to be written, filling out forms that should not have been printed. I hope today's hearing marks the start of an effort address this issue.

Again, I appreciate the opportunity to share my thoughts, and I look forward to your questions.

Chairman ISSA. Without objection, so ordered.
Mr. Dodaro.

STATEMENT OF GENE DODARO

Mr. DODARO. Good morning, Mr. Chairman and Ranking Member Cummings, and members of the committee.

I am very pleased to be here today to talk about the GAO report which outlines opportunities to tackle overlap and duplication, reduce costs and enhance revenue collections. Our report discuss 34 different areas of overlap and duplication and fragmentation. And it outlines a number of specific activities that need to be reviewed.

I would highlight a couple of categories here this morning. One, there are multiple programs in specific areas that have developed over the years and that need to be tackled. For example, there are over 40 programs in employment and training areas. There are over 80 programs trying, at least in part, to improve teacher quality. There are 80 programs intended to improve economic development. Surface transportation has multiple programs as well.

These programs have developed over the years, in some cases, decades. And in many cases, there is really not a lot of empirical evidence to show the outcomes of the programs or that they are operating effectively. This is a perfect opportunity for the Congress and the administration to look at these portfolio programs that we have outlined in our report, and to begin to rationalize the programs, prioritize what the role of the Federal Government should be, and give clear directions as to what is to be accomplished through the programs, how to measure their results and how to streamline delivery systems and also reduce administrative costs. I think there are a lot of opportunities here.

We also outlined in the Defense area opportunities there, in medical commands, urgent needs, as was mentioned in the opening comments. And there are other areas where DOD and VA can leverage their purchasing power, for example, in purchasing of drugs. They are also pursuing parallel paths in developing electronic medical records that there are opportunities to conserve resources and get better results for less costs, we believe.

In addition to the overlap, fragmentation and duplication, we also outline a number of other opportunities for cost savings and enhanced revenues, 47 areas are outlined in the report. Many of the cost saving opportunities go to the nuts and bolts of the Government and how it operates, as Chairman Davis outlined. There is a need to make sure there is more competition in contracting, that there are fewer contracting vehicles to help reduce the costs. We are paying to maintain unneeded Federal property. We are paying through improper payments for services that either are not rendered or are not well documented, that we have confidence that they are being saved or appropriately paid.

And in the revenue area, there is a yawning gap at the tax level between taxes owed and collected. The last estimate is \$290 billion. And there are areas that we believe through prudent use of increasing the electronic filing, using third-party data to identify potential non-filers, and other activities that need to be looked at.

Now, one of the things that we are going to continue to do, since this report is the first report that meets our statutory requirement

to annually produce these types of reports, we will be looking at other opportunities going forward. Tax expenditures, for example, and how they might duplicate other things. For example, in this report, we mention the tax credit in the ethanol area duplicates the renewable fuel standards that are in place, and that Congress should take a look at the need to continue this ethanol tax credit, which is billions of dollars a year in foregone revenue.

There is potential overlap between tax credits, loan programs and other Federal spending. So we will be looking at these areas in the future. We already have work underway for our next year's report, and we look forward to working with the Congress to help streamline the Federal Government's activities, to make sure it is operating more effectively, more efficiently and in the taxpayers' best interests.

Mr. Chairman, that concludes my opening statement. I will be happy to answer questions at the appropriate time.

[The prepared statement of Mr. Dodaro follows:]

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and Government Reform

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Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue

Statement of Gene L. Dodaro
Comptroller General of the United States



G A O

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GAO-11-441T

Mr. Chairman, Ranking Member Cummings, and Members of the Committee:

Thank you for the opportunity to discuss our first annual report to Congress responding to a new statutory requirement that GAO identify federal programs, agencies, offices, and initiatives—either within departments or governmentwide—that have duplicative goals or activities.¹ This work will inform government policymakers as they address the rapidly building fiscal pressures facing our national government. Our annual simulations of the federal government's fiscal outlook show continually increasing levels of debt that are unsustainable over time, absent changes in the federal government's current fiscal policies.² Since the end of the recent recession, the gross domestic product has grown slowly and unemployment has remained at a high level. While the economy is still recovering and in need of careful attention, widespread agreement exists on the need to look not only at the near term but also at steps that begin to change the long-term fiscal path as soon as possible without slowing the recovery. With the passage of time, the window to address the fiscal challenge narrows and the magnitude of the required changes grows.

My testimony today is based on our March 1, 2011, report and addresses two key issues: (1) federal programs or functional areas where unnecessary duplication, overlap, or fragmentation exists, the actions needed to address such conditions, and the potential financial and other benefits of doing so; and (2) other opportunities for potential cost savings or enhanced revenues.³ The issues raised in the report were drawn from our prior and ongoing work. We conducted our work from February 2010 through February 2011 in accordance with generally accepted government auditing standards or with GAO's quality assurance framework, as appropriate. For issues being reported on for the first time, we sought

¹Pub. L. No. 111-139, § 21, 124 Stat. 29 (2010), 31 U.S.C. § 712 Note.

²GAO, *The Federal Government's Long-Term Fiscal Outlook: Fall 2010 Update*, GAO-11-201SP (Washington, D.C.: Nov. 15, 2010). Additional information on the federal fiscal outlook, federal debt, and the outlook for the state and local government sector is available at: www.gao.gov/special/pubs/longterm/.

³GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011). An interactive, Web-based version of the report is available at: <http://www.gao.gov/ereport/gao-11-318SP>

comments from the agencies involved and incorporated those comments as appropriate.

We identified 81 areas for consideration—34 areas of potential duplication, overlap, or fragmentation as well as 47 additional cost-saving and revenue-enhancing areas. The 81 areas span a range of federal government missions such as agriculture, defense, economic development, energy, general government, health, homeland security, international affairs, and social services. Within and across these missions, our report touches on hundreds of federal programs, affecting virtually all major federal departments and agencies. By reducing or eliminating unnecessary duplication, overlap, or fragmentation and by addressing the other cost-saving and revenue-enhancing opportunities contained in the report, the federal government could yield tens of billions of tax dollars annually and help agencies provide more efficient and effective services. However, these actions will require some difficult decisions, and sustained attention by the administration and the Congress.

In some cases, there is sufficient information to estimate potential savings or other benefits if actions are taken to address individual issues. In other cases, estimates of cost savings or other benefits would depend upon what congressional and executive branch decisions were made, including how certain of our recommendations are implemented. Nevertheless, considering the amount of program dollars involved in the issues we have identified, even limited adjustments could result in significant savings. Additionally, information on program performance, the level of funding in agency budgets devoted to overlapping or fragmented programs, and the implementation costs that might be associated with program consolidations or terminations, are factors that could impact actions to be taken as well as potential savings.

Overlap and Fragmentation Can Indicate Unnecessary Duplication

We identified 34 areas where agencies, offices, or initiatives may have similar or overlapping objectives or may provide similar services to the same populations; or where government missions are fragmented across multiple agencies or programs (see table 1). Overlap and fragmentation among government programs or activities can be harbingers of unnecessary duplication. The areas identified below are not intended to represent the full universe of duplication, overlap, or fragmentation within the federal government. Our future work will examine other areas of government for potential duplication, overlap, and fragmentation.

Table 1: Duplication, Overlap, or Fragmentation Areas Identified

Missions	Areas identified	Federal agencies and programs where duplication, overlap, or fragmentation may occur
Agriculture	1. Fragmented food safety system has caused inconsistent oversight, ineffective coordination, and inefficient use of resources	The Department of Agriculture's (USDA) Food Safety and Inspection Service and the Food and Drug Administration are the primary food safety agencies, but 15 agencies are involved in some way
Defense	2. Realigning DOD's military medical command structures and consolidating common functions could increase efficiency and result in projected savings ranging from \$281 million to \$460 million annually	Department of Defense (DOD), including the Office of the Assistant Secretary for Health Affairs, the Army, the Navy, and the Air Force
	3. Opportunities exist for consolidation and increased efficiencies to maximize response to warfighter urgent needs	At least 31 entities within DOD
	4. Opportunities exist to avoid unnecessary redundancies and improve the coordination of counter-improvised explosive device efforts	The services and other components within DOD
	5. Opportunities exist to avoid unnecessary redundancies and maximize the efficient use of intelligence, surveillance, and reconnaissance capabilities	Multiple intelligence organizations within DOD
	6. A departmentwide acquisition strategy could reduce DOD's risk of costly duplication in purchasing tactical wheeled vehicles	DOD, including Army and Marine Corps
	7. Improved joint oversight of DOD's prepositioning programs for equipment and supplies may reduce unnecessary duplication	DOD including Air Force, Army, and Marine Corps
	8. DOD business systems modernization: opportunities exist for optimizing business operations and systems	About 2,300 investments across DOD
Economic development	9. The efficiency and effectiveness of fragmented economic development programs are unclear	USDA, Department of Commerce (Commerce), Housing and Urban Development (HUD), and the Small Business Administration (SBA); 80 programs involved
	10. The federal approach to surface transportation is fragmented, lacks clear goals, and is not accountable for results	Five agencies within the Department of Transportation (DOT); over 100 programs involved
	11. Fragmented federal efforts to meet water needs in the U.S.-Mexico border region have resulted in an administrative burden, redundant activities, and an overall inefficient use of resources	USDA, Commerce's Economic Development Administration, Environmental Protection Agency (EPA), Department of Health and Human Services' (HHS) Indian Health Service, Department of the Interior's (Interior) Bureau of Reclamation, HUD, and the U.S. Army Corps of Engineers

Missions	Areas identified	Federal agencies and programs where duplication, overlap, or fragmentation may occur
Energy	12. Resolving conflicting requirements could more effectively achieve federal fleet energy goals	A number of agencies, including the Department of Energy (Energy) and the General Services Administration (GSA) play a role overseeing the governmentwide requirements
	13. Addressing duplicative federal efforts directed at increasing domestic ethanol production could reduce revenue losses by up to \$5.7 billion annually	EPA and the Department of the Treasury
General government	14. Enterprise architectures : key mechanisms for identifying potential overlap and duplication	Governmentwide
	15. Consolidating federal data centers provides opportunity to improve government efficiency and achieve significant cost savings	Twenty-four federal agencies
	16. Collecting improved data on interagency contracting to minimize duplication could help the government leverage its vast buying power	Governmentwide
	17. Periodic reviews could help identify ineffective tax expenditures and redundancies in related tax and spending programs, potentially reducing revenue losses by billions of dollars	Governmentwide
Health	18. Opportunities exist for DOD and VA to jointly modernize their electronic health record systems	DOD and the Department of Veterans Affairs (VA)
	19. VA and DOD need to control drug costs and increase joint contracting whenever it is cost-effective	DOD and VA
	20. HHS needs an overall strategy to better integrate nationwide public health information systems	Multiple agencies, led by HHS
Homeland security/Law enforcement	21. Strategic oversight mechanisms could help integrate fragmented interagency efforts to defend against biological threats	USDA, DOD, Department of Homeland Security (DHS), HHS, Interior, and others; more than two dozen presidentially appointed individuals with responsibility for biodefense
	22. DHS oversight could help eliminate potential duplicating efforts of interagency forums in securing the northern border	DHS and other federal law enforcement partners
	23. The Department of Justice plans actions to reduce overlap in explosives investigations , but monitoring is needed to ensure successful implementation	Department of Justice's Federal Bureau of Investigation and Bureau of Alcohol, Tobacco, Firearms and Explosives

Missions	Areas Identified	Federal agencies and programs where duplication, overlap, or fragmentation may occur
	24. TSA's security assessments on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap	DHS's Transportation Security Administration (TSA) and DOT
	25. DHS could streamline mechanisms for sharing security-related information with public transit agencies to help address overlapping information	Three information-sharing mechanisms funded by DHS and TSA
	26. FEMA needs to improve its oversight of grants and establish a framework for assessing capabilities to identify gaps and prioritize investments	DHS's Federal Emergency Management Agency (FEMA); 17 programs involved
International affairs	27. Lack of information sharing could create the potential for duplication of efforts between U.S. agencies involved in development efforts in Afghanistan	Principally DOD and the U.S. Agency for International Development
	28. Despite restructuring, overlapping roles and functions still exist at State's Arms Control and Nonproliferation Bureaus	Two bureaus within the Department of State (State)
Social services	29. Actions needed to reduce administrative overlap among domestic food assistance programs	USDA, DHS, and HHS; 18 programs involved
	30. Better coordination of federal homelessness programs may minimize fragmentation and overlap	Seven federal agencies, including Department of Education (Education), HHS, and HUD; over 20 programs involved
	31. Further steps needed to improve cost-effectiveness and enhance services for transportation-disadvantaged persons	USDA, DOT, Education, Interior, HHS, HUD, Department of Labor (Labor), and VA; 80 programs involved
Training, employment, and education	32. Multiple employment and training programs; providing information on colocating services and consolidating administrative structures could promote efficiencies	Education, HHS, and Labor, among others; 44 programs involved
	33. Teacher quality : proliferation of programs complicates federal efforts to invest dollars effectively	Ten agencies including DOD, Education, Energy, National Aeronautics and Space Administration, and the National Science Foundation; 82 programs involved
	34. Fragmentation of financial literacy efforts makes coordination essential	More than 20 different agencies; about 56 programs involved

Source: GAO-11-318SP.

As table 1 shows, many of the issues we identified are focused on activities that are contained within single departments or agencies. In those cases, agency officials can generally achieve cost savings or other benefits by implementing existing GAO recommendations or by undertaking new actions suggested in our March 1 report. However, a number of issues we

have identified span multiple organizations and therefore may require higher-level attention by the executive branch or enhanced congressional oversight or legislative action. For example:

- *Teacher quality programs:* In fiscal year 2009, the federal government spent over \$4 billion specifically to improve the quality of our nation's 3 million teachers through numerous programs across the government. We identified 82 distinct programs designed to help improve teacher quality, either as a primary purpose or as an allowable activity, administered across 10 federal agencies. The proliferation of programs has resulted in fragmentation that can frustrate agency efforts to administer programs in a comprehensive manner, limit the ability to determine which programs are most cost effective, and ultimately increase program costs.

In 2009, we recommended that the Secretary of Education work with other agencies as appropriate to develop a coordinated approach for routinely and systematically sharing information that can assist federal programs, states, and local providers in achieving efficient service delivery. The Department of Education has established working groups to help develop more effective collaboration across Education offices, and has reached out to other agencies to develop a framework for sharing information on some teacher quality activities, but it has noted that coordination efforts do not always prove useful and cannot fully eliminate barriers to program alignment, such as programs with differing definitions for similar populations of grantees, which create an impediment to coordination.

Congress could help eliminate some barriers through legislation, particularly through the pending reauthorization of the Elementary and Secondary Education Act of 1965 and other key education bills. Specifically, to minimize any wasteful fragmentation and overlap among teacher quality programs, Congress may choose either to eliminate programs that are too small to evaluate cost effectively or to combine programs serving similar target groups into a larger program. Education has already proposed combining 38 programs into 11 programs in its reauthorization proposal, which could allow the agency to dedicate a higher portion of its administrative resources to monitoring programs for results and providing technical assistance.

- *Military health system:* The responsibilities and authorities for the Department of Defense's (DOD) military health system are distributed among several organizations within DOD with no central command authority or single entity accountable for minimizing costs and achieving efficiencies. Under the military health system's current command structure,

the Office of the Assistant Secretary of Defense for Health Affairs, the Army, the Navy, and the Air Force each has its own headquarters and associated support functions. Annual military health system costs have more than doubled from \$19 billion in fiscal year 2001 to \$49 billion in 2010 and are expected to increase to over \$62 billion by 2015.

DOD has made varying levels of progress in implementing limited actions to consolidate certain common administrative, management, and clinical functions. However, to reduce duplication in its command structure and eliminate redundant processes that add to growing defense health care costs, DOD could take action to further assess alternatives for restructuring the governance structure of the military health system. A May 2006 report by the Center for Naval Analyses showed that if DOD and the services had chosen to implement one of the three larger-scale alternative concepts studied by DOD, the department could have achieved significant savings. Our adjustment of those projected savings into 2010 dollars indicates those savings could range from \$281 million to \$460 million annually depending on the alternative chosen and numbers of military, civilian, and contractor positions eliminated. DOD officials said that they generally agreed with the facts and findings in our analysis.

- *Federal data centers:* According to the Office of Management and Budget (OMB), the number of federal data centers grew from 432 in 1998 to more than 2,000 in 2010. These data centers often house similar types of equipment and provide similar processing and storage capabilities, raising concerns about the provision of redundant capabilities, the underutilization of resources, and the significant consumption of energy. While the total annual federal spending associated with data centers has not yet been determined, the Federal Chief Information Officer has found that operating data centers is a significant cost to the federal government, including hardware, software, real estate, and cooling costs. For example, according to the Environmental Protection Agency, the electricity cost to operate federal servers and data centers across the government is about \$450 million annually.

In February 2010, OMB launched the Federal Data Center Consolidation Initiative to guide federal agencies in developing and implementing data center consolidation plans. As part of this initiative, OMB directed federal agencies to prepare an inventory of their data center assets and a plan for consolidating these assets by August 30, 2010, and to begin implementing them in fiscal year 2011. Moving forward, it will be important for individual agencies to move quickly to correct any missing items in their data center consolidation plans, establish sound baselines so that progress

and efficiencies can be measured, begin their consolidation efforts, track their progress, and report to OMB on their progress over time. Sustained monitoring by Congress could help ensure progress is realized.

- *DOD and VA electronic health record systems:* Although DOD and the Department of Veterans Affairs (VA) have many common health care business needs, the departments have separate efforts to modernize their electronic health record systems. Specifically, DOD has obligated approximately \$2 billion over the 13-year life of its Armed Forces Health Longitudinal Technology Application and requested \$302 million in fiscal 2011 year funds for a new system. For its part, VA reported spending almost \$600 million from 2001 to 2007 on eight projects as part of its Veterans Health Information Systems and Technology Architecture modernization. In April 2008, VA estimated an \$11 billion total cost to complete the modernization by 2018.

Efforts by the departments to jointly identify and develop common information technology solutions to address their mutual health care needs could result in system development and operation cost savings while supporting higher-quality health care for service members and veterans. We identified several actions that DOD and VA could take to overcome barriers they face in modernizing their electronic health record systems, including revising the departments' joint strategic plans and defining and implementing a process for identifying and selecting joint information technology investments. Officials from both DOD and VA agreed with these recommendations.

- *Domestic ethanol production:* Congress supported domestic ethanol production through a \$5.4 billion tax credit program in 2010 and through a renewable fuel standard that applies to transportation fuels used in the United States. The ethanol tax credit and the renewable fuel standard can be duplicative in stimulating domestic production and use of ethanol, and can result in substantial loss of revenue to the Treasury. The ethanol tax credit was recently extended at 45 cents per gallon through December 31, 2011. The tax credit will cost \$5.7 billion in forgone revenues in 2011. Because the fuel standard allows increasing annual amounts of conventional biofuels through 2015, which ensures a market for a conventional corn starch ethanol industry that is already mature, Congress may wish to consider whether revisions to the ethanol tax credit are needed, such as reducing, modifying, or phasing out the tax credit.
- *Interagency and agencywide contracts:* Agencies have created numerous interagency and agencywide contracts using existing statutes, the Federal Acquisition Regulation, and agency-specific policies. With the proliferation

of these contracts, however, there is a risk of unintended duplication and inefficiency. Interagency and agencywide contracting was responsible for at least \$54 billion of the approximately \$540 billion that was obligated governmentwide for goods and services in fiscal year 2009. However, the federal government does not have a clear, comprehensive view of whether these contracts are being utilized in an efficient and effective manner. In addition, agencies may be unaware of existing contract options that could meet their needs and may be awarding new contracts when use of an existing contract would suffice.

Government contracting officials and representatives of vendors have expressed concerns about potential duplication among the interagency and agencywide contracts across government. Some vendors stated they offer similar products and services on multiple contracts and that the effort required to be on multiple contracts results in extra costs to the vendor, which they pass to the government through increased prices. Some vendors stated that the additional cost of being on multiple contracts ranged from \$10,000 to \$1,000,000 per contract due to increased bid and proposal and administrative costs.

Requiring business case analyses for new multiagency and agencywide contracts and ensuring agencies have access to up-to-date and accurate data on the available contracts will promote the efficient use of interagency and agencywide contracting and, by reducing the costs associated with duplicate contracts, help the government better leverage its purchasing power when buying commercial goods and services. OMB reported in August 2010 that it planned to issue overarching guidance that would address the need for agencies to prepare business cases describing the need for a new multiagency or agencywide contract, the value added by its creation, and the agency's suitability to serve as an executive agent. Additionally, improvements are still needed regarding the accuracy of the federal contracts database in order to determine whether the contracts are being used in an efficient and effective manner. Continued congressional oversight of this issue is warranted.

- *Domestic food assistance:* The federal government spent more than \$62.5 billion on 18 domestic food and nutrition assistance programs in fiscal year 2008. Programs' spending ranged from \$4 million for the smallest program to more than \$37 billion for the largest. The Department of Agriculture's (USDA) Food and Nutrition Service oversees most of these programs—including the five largest. These programs help ensure that millions of low-income individuals have consistent, dependable access to enough food for an active, healthy life. However, we have found that some

of these programs provide comparable benefits to similar or overlapping populations which can lead to inefficient use of federal funds, duplication of effort, and confusion among those seeking services. For example, individuals eligible for groceries through the Commodity Supplemental Food Program are also generally eligible for groceries through the Emergency Food Assistance Program and for targeted benefits that are redeemed in authorized stores through the largest program, the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program). In addition, most of the 18 programs have specific and often complex legal requirements and administrative procedures that often require applicants who seek assistance from multiple programs to submit separate applications for each program and provide similar information which can create unnecessary work for both providers and applicants and may result in the use of more administrative resources than needed. Additionally, little is known about the effectiveness of 11 of the 18 programs because they have not been well studied.

In April 2010, we recommended that USDA identify and develop methods for addressing potential inefficiencies and reducing unnecessary overlap among its smaller food assistance programs while ensuring that those who are eligible receive the assistance they need. To date, USDA has not taken action on this recommendation. One of the possible methods for reducing program inefficiencies would entail USDA broadening its efforts to simplify, streamline, or better align eligibility procedures and criteria across programs to the extent that it is permitted by law. Such efforts could result in sizable administrative cost savings since they are a large part of program costs. In addition, options such as consolidating or eliminating overlapping programs have the potential to reduce administrative costs but may not reduce spending on benefits unless fewer individuals are served as a result.

- *Employment and training programs:* In fiscal year 2009, 47 federal employment and training programs spent about \$18 billion to provide services, such as job search and job counseling, to program participants. Most of these programs are administered by the Departments of Labor, Education, and Health and Human Services (HHS). We found that 44 of the 47 programs overlap with at least one other program in that they provide at least one similar service to a similar population. Our review of three programs among the largest—Temporary Assistance for Needy Families (TANF), Employment Service, and Workforce Investment Act (WIA) Adult programs—found that they provide some of the same services to the same population through separate administrative structures. Although the extent to which individuals receive the same services from these programs is unknown due to limited data, these programs maintain parallel

administrative structures to provide some of the same services such as job search assistance to low-income individuals.

At the state level, the TANF program (which also provides a wide range of other services) is typically administered by the state human services or welfare agency, while the Employment Service and WIA Adult programs are typically administered by the state workforce agency and provided through one-stop centers. Agency officials acknowledged that greater efficiencies could be achieved in delivering services through these programs but said factors such as the number of clients that any one-stop center can serve and one-stop centers' proximity to clients, particularly in rural areas, could warrant having multiple entities provide the same services. Colocating services and consolidating administrative structures may increase efficiencies and reduce costs, but implementation can be challenging.

Some states have colocated TANF employment and training services in one-stop centers where Employment Service and WIA Adult services are provided. Three states—Florida, Texas, and Utah—have gone a step further by consolidating the agencies that administer these programs, and state officials said this reduced costs and improved services, but they could not provide a dollar figure for cost savings. States and localities may face challenges to colocating services, such as limited office space. In addition, consolidating administrative structures may be time consuming and any cost savings may not be immediately realized.

To facilitate further progress by states and localities in increasing administrative efficiencies in employment and training programs, we recommended in 2011 that the Secretaries of Labor and HHS work together to develop and disseminate information that could inform such efforts. As part of this effort, Labor and HHS should examine the incentives for states and localities to undertake such initiatives, and, as warranted, identify options for increasing such incentives. Labor and HHS agreed they should develop and disseminate this information. HHS noted that it lacks legal authority to mandate increased TANF-WIA coordination or create incentives for such efforts. Sustained oversight by Congress could help ensure progress is realized.

Opportunities Exist for Other Cost Savings or Revenue Enhancements

Given today's fiscal environment, our work summarizes 47 additional areas—beyond those directly related to duplication, overlap, or fragmentation—describing other opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury. These cost-saving and revenue-enhancing opportunities also span a wide range of federal government agencies and mission areas (see table 2).

Table 2: Federal Agencies and Programs Where Cost-Saving or Revenue-Enhancement Opportunities May Exist

Missions	Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
Agriculture	35. Reducing some farm program payments could result in savings from \$800 million over 10 years to up to \$5 billion annually	Department of Agriculture
Defense	36. DOD should assess costs and benefits of overseas military presence options before committing to costly personnel realignments and construction plans, thereby possibly saving billions of dollars	DOD
	37. Total compensation approach is needed to manage significant growth in military personnel costs	DOD
	38. Employing best management practices could help DOD save money on its weapon systems acquisition programs	DOD
	39. More efficient management could limit future costs of DOD's spare parts inventory	DOD, including the military services and Defense Logistics Agency
	40. More comprehensive and complete cost data can help DOD improve the cost-effectiveness of sustaining weapon systems	DOD
	41. Improved corrosion prevention and control practices could help DOD avoid billions in unnecessary costs over time	DOD's Office of Corrosion Policy and Oversight
Economic development	42. Revising the essential air service program could improve efficiency and save over \$20 million annually	Department of Transportation
	43. Improved design and management of the universal service fund as it expands to support broadband could help avoid cost increases for consumers	Federal Communications Commission; four programs involved
	44. The Corps of Engineers should provide Congress with project-level information on unobligated balances	U.S. Army Corps of Engineers

Missions	Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
Energy	45. Improved management of federal oil and gas resources could result in approximately \$1.75 billion over 10 years	Department of the Interior's Bureau of Land Management, Bureau of Ocean Energy Management, Regulation and Enforcement, and Office of Natural Resources Revenue
General government	46. Efforts to address governmentwide improper payments could result in significant cost savings	About 20 federal agencies; over 70 programs involved
	47. Promoting competition for the over \$500 billion in federal contracts can potentially save billions of dollars over time	Governmentwide
	48. Applying strategic sourcing best practices throughout the federal procurement system could save billions of dollars annually	Governmentwide
	49. Adherence to new guidance on award fee contracts could improve agencies' use of award fees and produce savings	Several agencies, including DOD and the National Aeronautics and Space Administration
	50. Agencies could realize cost savings of at least \$3 billion by continued disposal of unneeded federal real property	Governmentwide, including DOD, General Services Administration (GSA), and Department of Veterans Affairs
	51. Improved cost analyses used for making federal facility ownership and leasing decisions could save tens of millions of dollars	Primarily GSA, the central leasing agent for most agencies
	52. The Office of Management and Budget's IT Dashboard reportedly has already resulted in \$3 billion in savings and can further help identify opportunities to invest more efficiently in information technology	Governmentwide
	53. Increasing electronic filing of individual income tax returns could reduce IRS's processing costs and increase revenues by hundreds of millions of dollars	Department of the Treasury's (Treasury) Internal Revenue Service (IRS)
	54. Using return on investment information to better target IRS enforcement could reduce the tax gap; for example, a 1 percent reduction would increase tax revenues by \$3 billion	IRS
	55. Better management of tax debt collection may resolve cases faster with lower IRS costs and increase debt collected	IRS
	56. Broadening IRS's authority to correct simple tax return errors could facilitate correct tax payments and help IRS avoid costly, burdensome audits	IRS
	57. Enhancing mortgage interest information reporting could improve tax compliance	IRS

Missions	Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
	58. More information on the types and uses of canceled debt could help IRS limit revenue losses on forgiven mortgage debt	IRS
	59. Better information and outreach could help increase revenues by tens or hundreds of millions of dollars annually by addressing overstated real estate tax deductions	IRS
	60. Revisions to content and use of Form 1098-T could help IRS enforce higher education requirements and increase revenues	IRS
	61. Many options could improve the tax compliance of sole proprietors and begin to reduce their \$68 billion portion of the tax gap	IRS
	62. IRS could find additional businesses not filing tax returns by using third-party data, which show such businesses have billions of dollars in sales	IRS
	63. Congress and IRS can help S corporations and their shareholders be more tax compliant, potentially increasing tax revenues by hundreds of millions of dollars each year	IRS
	64. IRS needs an agencywide approach for addressing tax evasion among the at least 1 million networks of businesses and related entities	IRS
	65. Opportunities exist to improve the targeting of the \$6 billion research tax credit and reduce forgone revenue	Treasury and IRS
	66. Converting the new markets tax credit to a grant program may increase program efficiency and significantly reduce the \$3.8 billion 5-year revenue cost of the program	Treasury
	67. Limiting the tax-exempt status of certain governmental bonds could yield revenue	Treasury
	68. Adjusting civil tax penalties for inflation potentially could increase revenues by tens of millions of dollars per year, not counting any revenues that may result from maintaining the penalties' deterrent effect	IRS
	69. IRS may be able to systematically identify nonresident aliens reporting unallowed tax deductions or credits	IRS
	70. Tracking undisbursed balances in expired grant accounts could facilitate the reallocation of scarce resources or the return of funding to the Treasury	Governmentwide

Missions	Areas identified	Federal agencies and programs where cost-saving or revenue-enhancement options may exist
Health	71. Preventing billions in Medicaid improper payments requires sustained attention and action by CMS	Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS)
	72. Federal oversight over Medicaid supplemental payments needs improvement, which could lead to substantial cost savings	CMS
	73. Better targeting of Medicare's claims review could reduce improper payments	CMS
	74. Potential savings in Medicare's payments for health care	CMS
Homeland security/Law enforcement	75. DHS's management of acquisitions could be strengthened to reduce cost overruns and schedule and performance shortfalls	Department of Homeland Security (DHS)
	76. Improvements in managing research and development could help reduce inefficiencies and costs for homeland security	DHS
	77. Validation of TSA's behavior-based screening program is needed to justify funding or expansion	Transportation Security Administration (TSA)
	78. More efficient baggage screening systems could result in about \$470 million in reduced TSA personnel costs over the next 5 years	TSA
Income security	79. Clarifying availability of certain customs fee collections could produce a one-time savings of \$640 million	DHS's Customs and Border Protection (CBP)
	80. Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, resulting in estimated \$2.4-\$2.9 billion savings over 10 years	Social Security Administration
International affairs	81. Congress could pursue several options to improve collection of antidumping and countervailing duties	CBP

Source: GAO-11-318SP.

Examples of opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections include:

- *DOD spare parts*: We have identified weaknesses in DOD's inventory management practices, including problems in accurately forecasting demand for spare parts. Most recently, we reviewed the Defense Logistics Agency inventory levels and reported in 2010 that the Agency, over a

period of 3 fiscal years, averaged \$1 billion of inventory annually that has been identified as excess. Since our work has consistently shown that the greatest opportunities to minimize investment in unneeded inventory are at the initial stages of the inventory management process when acquisition decisions are being made, DOD could limit future costs by focusing its efforts on better managing on-order inventory, with a view toward reducing on-order inventory levels that are not needed for current needs or projected demand.

Recently, Congress required DOD to submit a comprehensive plan for improving the inventory management systems of the military departments and the Defense Logistics Agency, with the objective of reducing the acquisition and storage of inventory that is excess to requirements. In November 2010, DOD submitted its plan to Congress and stated in its plan that it has already reduced unneeded inventory and that further reductions are possible. For example, DOD reported that \$10.3 billion (11 percent) of its secondary inventory has been designated as excess and categorized for potential reuse or disposal. While DOD's plan is an important step in improving inventory management practices, successful implementation will be challenging and will require sustained oversight by DOD as well as collaboration among the services and the Defense Logistics Agency. Continued congressional attention is warranted.

- *Corrosion:* DOD estimates that corrosion costs the department over \$23 billion each year. Corrosion—which can take such varied forms as rusting; pitting; calcium or other mineral buildup; degradation from exposure to ultraviolet light; and mold, mildew, and other organic decay—if left unchecked, can degrade the readiness and safety of equipment and facilities and can result in substantial, sometimes avoidable costs. The Defense Science Board Task Force estimated in a 2004 report that 30 percent of corrosion costs could be avoided through proper investment in prevention and mitigation of corrosion during design, manufacture, and sustainment. According to DOD, increased corrosion prevention and control efforts are needed to adequately address the wide-ranging and expensive effects of corrosion on equipment and infrastructure. However, DOD did not fund about one-third of acceptable corrosion projects for fiscal years 2005 through 2010.

If the projects accepted by DOD's Office of Corrosion Policy and Oversight from fiscal years 2005 through 2010 had been fully funded, DOD potentially could have avoided \$3.6 billion in corrosion-related costs—assuming those projects achieved the same level of cost-effectiveness as was estimated for all accepted projects in those years. If the Corrosion

Office wishes to convince DOD and congressional decision makers that more fully funding its corrosion prevention programs could provide such a significant return on investment, the Corrosion Office needs to complete the validation of return on investment estimates in order to demonstrate the costs and benefits of its corrosion prevention and control projects.

- *Noncompetitive contracts:* Federal agencies generally are required to award contracts competitively, but a substantial amount of federal money is being obligated on noncompetitive contracts annually. Federal agencies obligated approximately \$170 billion on noncompetitive contracts in fiscal year 2009 alone. While there has been some fluctuation over the years, the percentage of obligations under noncompetitive contracts recently has been in the range of 31 percent to over 35 percent. Although some agency decisions to forego competition may be justified, we found that when federal agencies decide to open their contracts to competition, they frequently realize savings. For example, the Department of State (State) awarded a noncompetitive contract for installation and maintenance of technical security equipment at U.S. embassies in 2003. In response to our recommendation, State subsequently competed this requirement, and in 2007 it awarded contracts to four small businesses for a total savings of over \$218 million. In another case, we found in 2006 that the Army had awarded noncompetitive contracts for security guards, but later spent 25 percent less for the same services when the contracts were competed.

In July 2009, OMB called for agencies to reduce obligations under new contract actions that are awarded using high-risk contracting authorities by 10 percent in fiscal year 2010. These high-risk contracts include those that are awarded noncompetitively and those that are structured as competitive but for which only one offer is received. While sufficient data are not yet available to determine whether OMB's goal was met, we are currently reviewing the agencies' savings plans to identify steps taken toward that goal, and will continue to monitor the progress agencies make toward achieving this and any subsequent goals set by OMB.

- *Undisbursed grant balances:* Past audits of federal agencies by GAO and Inspectors General, as well as agencies' annual performance reports, have suggested grant management challenges, including failure to conduct grant closeouts and undisbursed balances, are a long-standing problem. In August 2008, we reported that during calendar year 2006, about \$1 billion in undisbursed funding remained in expired grant accounts in HHS's Payment Management System—the largest civilian grant payment system, which multiple agencies use. In August 2008, we recommended that OMB instruct all executive departments and independent agencies to track undisbursed balances in expired grant accounts and report on the

resolution of this funding in their annual performance plan and Performance and Accountability Reports. As of January 13, 2011, OMB had not issued governmentwide guidance regarding undisbursed balances in expired grant accounts.

- *Social Security offsets:* Social Security covers about 96 percent of all U.S. workers; the vast majority of the remaining 4 percent are public employees who work for federal, state, and local government. Although these workers do not pay Social Security taxes on their noncovered government earnings, they may still be eligible for Social Security benefits through their spouses' or their own earnings from other jobs that Social Security does cover. Two Social Security provisions—the Government Pension Offset, which generally applies to spouse and survivor benefits, and the Windfall Elimination Provision, which applies to retired worker benefits—attempt to take noncovered employment into account when calculating the Social Security benefits. However, these provisions have been difficult to administer because the Social Security Administration (SSA) does not have the pension data it needs to perform these calculations accurately.

In April 1998, we recommended that SSA work with the Internal Revenue Service (IRS) to revise the reporting of pension information on IRS Form 1099R, so that SSA would be able to identify people receiving a pension from noncovered employment, especially in state and local governments. However, IRS did not believe it could make the recommended change without new legislative authority.

Extending mandatory Social Security coverage for all state and local workers has been proposed among other options for addressing Social Security's long-term financial deficit. While this would eventually make the Government Pension Offset and Windfall Elimination Provision offsets obsolete, they would still be needed for many years to come for existing employees and beneficiaries, and we continue to believe that it is important to apply these laws consistently and equitably. Hence, we have suggested that Congress consider giving IRS the authority to collect the information that SSA needs on government pension income to administer the Government Pension Offset and Windfall Elimination Provision requirements accurately and fairly. The President's 2011 budget proposal contains a provision that would address the need for more complete and accurate information on noncovered state and local pensions, and it estimates savings of \$2.9 billion over 10 years. The Congressional Budget Office's 2009 Budget Options, Volume 2, has a similar provision and estimates savings of \$2.4 billion over 10 years.

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- *Customs fee collections:* The U.S. Customs and Border Protection (CBP) collects user fees to recover certain costs incurred for processing, among other things, air and sea passengers, and various private and commercial land, sea, air, and rail carriers and shipments. These fees are deposited into the Customs User Fee Account. We discovered that CBP has a \$639.4 million unobligated balance in its Customs User Fee Account as a result of excess collections from a temporary fee increase and elimination of North American Free Trade Agreement country exemptions from January 1, 1994, to September 30, 1997.

Clarifying the availability of unobligated balances in CBP's Customs User Fee Account could enable Congress to revise the agency's future appropriations, thereby producing a one-time savings of up to \$640 million. We first identified these unobligated balances in 2008. CBP officials stated at that time that although they formerly believed they needed additional authorization to spend these balances, it later appeared that the funds may be used as authorized by law. However, when we discussed these unobligated balances again in 2009 and 2010, CBP officials said they requested assistance from OMB to clarify the availability of these funds but OMB has not responded to their request.

We believe this is an issue that Congress may wish to address since these unobligated balances have remained in CBP's Customs User Fee account for more than 10 years. Congress could clarify the purposes for which the \$640 million in unobligated balances is available and take action as appropriate.

- *Addressing the gap between taxes owed and paid:* The net tax gap, which is the difference between the amount of taxes owed and the amount paid voluntarily and timely less late payments and IRS collection results, was last estimated by IRS to be \$290 billion for tax year 2001. Experts believe it may be larger. Our work has identified a number of areas where IRS or Congress could take action to better collect owed revenue, including:
 - *Business nonfilers:* Historically, the IRS has identified several million businesses each year that may have failed to file tax returns—more than it can thoroughly investigate. IRS has had difficulty determining if these businesses are still active and thus required to file a tax return. As a result, IRS has pursued many inactive businesses, which has not been a productive use of its resources. Recently, IRS has begun to use some third-party data such as information required about certain payments as indicators of business activity.

However IRS has not used private sector data that it could obtain to verify taxpayer statements about whether a business is active and a tax return should have been filed. A number of private companies maintain business activity data, such as data on a business's gross sales and number of employees. Our analysis of Dun and Bradstreet data showed they could be used to identify business activity that IRS was not aware of. For two states, we analyzed 2007 data on the businesses that IRS initially identified as potential nonfilers but later determined were not liable to file returns. Of these, we found 7,688 businesses where IRS data indicated little or no business activity, but Dun and Bradstreet data showed business activity as measured by sales totaling \$4.1 billion. In addition to other improvements in its business nonfiler program, we recommended that IRS study the feasibility and cost-effectiveness of using non-IRS, private data to verify taxpayer statements. IRS agreed with the recommendation.

- *Electronic filing:* The percentage of tax returns filed electronically has increased from 52 percent in 2005 to 71 percent in 2010. However, in 2010, IRS still processed 40 million tax returns filed on paper. Electronic filing benefits taxpayers by reducing processing errors and expediting their refunds. Increasing electronic filing would also reduce IRS's return processing costs and increase revenue by facilitating enforcement. As noted in a December 2010 GAO report⁴, IRS estimated savings of \$3.10 per return for returns filed electronically versus paper in fiscal year 2009.

Our prior work has shown that IRS has three opportunities to increase electronic filing of individual income tax returns: (1) requiring tax software identification numbers would help inform research into how the pricing and attributes of different software products affect taxpayers' willingness to use software and file electronically, allowing IRS to better promote electronic filing; (2) working with taxpayers and their representatives to reduce the number of rejected electronic returns could reduce the number of frustrated taxpayers who opt to print and mail in their rejected electronic returns, leaving IRS to identify and correct any errors and process the paper returns, thereby losing the benefits of electronic filing; and (3) requiring software vendors to encode relevant information in a bar code that would be embedded on all paper returns printed from tax software and mailed

⁴ GAO, *2010 Tax Filing Season: IRS's Performance Improved in Some Key Areas, but Efficiency Gains Are Possible in Others*, GAO-11-111 (Washington, D.C.: Dec. 16, 2010).

would enable IRS to obtain electronic information, such as a taxpayer's Social Security number and address, from the return. While not as beneficial as electronic filing, bar coding would still provide efficiencies over data transcription and enable more information to be available electronically.

Having more or all tax return information available electronically could help IRS target audits on noncompliant taxpayers, avoid burdening compliant taxpayers with unnecessary audits, make more productive use of IRS's audit resources, and—according to IRS officials—increase annual tax revenue by \$175 million.

- *Adjusting civil tax penalties:* The Internal Revenue Code has over 150 civil penalties that potentially deter taxpayer noncompliance. A number of civil tax penalties have fixed dollar amounts—either a specific dollar amount, or a minimum or maximum amount—that are not indexed for inflation. Over time, the lack of indexing can decrease the real value of IRS assessments and collections significantly. We found in August 2007 that adjusting civil tax penalty fixed-dollar amounts for inflation from 2000 to 2005 would have increased IRS collections by an estimated \$38 million to \$61 million per year based on a limited number of penalties we reviewed.

We reported that Congress may want to consider requiring IRS to periodically adjust for inflation, and round appropriately, the fixed-dollar amounts of the civil penalties to account for the decrease in real value over time and so that penalties for the same infraction are consistent over time. Although Congress has increased the amount of some fixed penalties since our report, only two penalties are to be adjusted for inflation on a periodic basis. Consequently, we continue to believe Congress should consider requiring IRS to periodically adjust all fixed penalties for inflation.

- *Unneeded real property:* Many federal agencies hold real property they do not need, including property that is excess or underutilized. Excess and underutilized properties present significant potential risks to federal agencies because they are costly to maintain. For example, in fiscal year 2009, agencies reported underutilized buildings accounted for over \$1.6 billion in annual operating costs. In a June 2010 Presidential Memorandum to federal agencies, the administration established a new target of saving \$3 billion through disposals and other methods by the end of fiscal year 2012; the President reiterated this goal in his 2012 budget. However, federal agencies continue to face obstacles to disposing of unneeded property, such

as requirements to offer the property to other federal agencies, then to state and local governments and certain non profits at no cost. If these entities cannot use the property, agencies may also need to comply with costly historic preservation or environmental cleanup requirements before disposing of the property. Finally, community stakeholders may oppose agencies' plans for property disposal. OMB could assist agencies in meeting their property disposal target by implementing our April 2007 recommendation of developing an action plan to address key problems associated with disposing of unneeded real property, including reducing the effect of competing stakeholder interests on real property decisions.

In conclusion Mr. Chairman, Ranking Member Cummings, and Members of the Committee, given the challenges noted above, careful, thoughtful actions will be needed to address many of the issues discussed in our March 1 report, particularly those involving potential duplication, overlap, and fragmentation among federal programs and activities. These are difficult issues to address because they may require agencies and Congress to re-examine within and across various mission areas the fundamental structure, operation, funding, and performance of a number of long-standing federal programs or activities with entrenched constituencies. Some of these areas are also included in our 2011 High-Risk Series update on which we testified before your committee in February 2011.⁵ Further, in January 2011, the President signed the GPRA Modernization Act of 2010,⁶ updating the almost two-decades-old Government Performance and Results Act (GPRA).⁷ Implementing provisions of the new act—such as its emphasis on establishing outcome-oriented goals covering a limited number of crosscutting policy areas—could play an important role in clarifying desired outcomes, addressing program performance spanning multiple organizations, and facilitating future actions to reduce unnecessary duplication, overlap, and fragmentation. Continued oversight by OMB and Congress will be critical to ensuring that unnecessary duplication, overlap, and fragmentation are addressed.

As the nation rises to meet the current fiscal challenges, GAO will continue to assist Congress and federal agencies in identifying actions needed to reduce duplication, overlap, and fragmentation; achieve cost

⁵GAO, *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: Feb. 16, 2011); and GAO's 2011 *High-Risk Series: An Update*, GAO-11-304T (Washington, D.C.: Feb.17, 2011).

⁶Pub. L. No. 111-352, 124 Stat. 3866 (2011).

⁷Pub. L. No. 103-62, 107 Stat. 285 (1993).

savings, and enhance revenues. In our future annual reports, we will look at additional federal programs and activities to identify further instances of duplication, overlap, and fragmentation as well as other opportunities to reduce the cost of government operations and increase revenues to the government. We plan to expand our work to more comprehensively examine areas where a mix of federal approaches is used, such as tax expenditures and direct spending. Likewise, we will continue to monitor developments in the areas we have already identified. Issues of duplication, overlap, and fragmentation will also be addressed in our routine audit work during the year as appropriate and summarized in our annual reports.

Thank you, Mr. Chairman, Ranking Member Cummings, and Members of the Committee. This concludes my prepared statement. I would be pleased to answer any questions you may have.

For further information on this testimony or our March 1 report, please contact Patricia Dalton, Chief Operating Officer, who may be reached at (202) 512-5600, or DaltonP@gao.gov; and Janet St. Laurent, Managing Director, Defense Capabilities and Management, who may be reached at (202) 512-4300, or StLaurentJ@gao.gov. Specific questions about individual issues may be directed to the area contact listed at the end of each area summary in the report. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement.

Chairman ISSA. Thank you. The gentleman yields back 14 seconds. [Laughter.]

Ms. Alexander, please.

STATEMENT OF RYAN ALEXANDER

Ms. ALEXANDER. Good morning, Chairman Issa, Ranking Member Cummings, and members of the committee. Thank you for inviting me here to testify today.

Our mission at Taxpayers for Common Sense is to achieve a government that spends taxpayer dollars responsibly and operates within its means. All of our work reflects our core belief that no one, no matter where they fall in the political spectrum, wants to see their money wasted.

To that end, TCS has worked with the left and the right to achieve victories on stopping the bridge to nowhere, getting the earmark moratorium enacted, cutting funding for an alternate engine for the joint strike fighter and creating an inspector general for the Iraq war.

We have testified before this committee several times with proven results for American taxpayers. We testified on the cost overruns and problems with the F-22 Raptor and that program was stopped. When Mr. Davis was on the dais, we testified on crop insurance waste, prompting the Agriculture Committee to take action. And working with you, Chairman Issa, we have testified on Army Corps of Engineers issues, and worked with the committee regarding lost royalty revenues from offshore oil and gas leases, both of which are in the GAO report we are discussing today.

In addition to my written testimony, I would like to enter for the record our two recent reports detailing recommended budget cuts.

In our more than 15-year history, TCS has worked on many of the programs and issues highlighted in the GAO report. We hope the increased scrutiny generated by this report, the current political will to tame the deficit and the good work of this committee will lead to meaningful and overdue reform or elimination of many of these programs.

Obviously there is much too much to tackle in this voluminous report in 5 minutes or even 50, so I will just highlight a few issues.

Across the Government, GAO found examples of duplication. Reforms to the acquisition process, governmentwide, could yield significant savings. This is particularly true in the Pentagon, where the risks of duplication across services are high. Efforts to acquire weapons like tactical wheeled vehicles should be coordinated across services. Encouraging competition and inter-agency contracting can help drive down costs by as much as \$500 billion by GAO's estimate. And as Mr. Dodaro mentioned, coordinating between DOD and Veterans Affairs electronic health records systems and working together to control costs in the area of drug purchasing.

Real property management by GSA also has enormous possible savings, both from disposing of billions of dollars worth of unnecessary Federal property, better fleet vehicle management, and better cost analysis of purchasing and leasing decisions. In addition to opportunities to reduce spending, the GAO report highlighted important ways to enhance revenue, another critical element of reducing our deficit. Giveaways to the oil and gas industry through royalty

management and collection systems have been highlighted by the GAO numerous times and added to the high risk list this year.

Chairman Issa, you know all too well from your work on these problems resulting from the royalty relief provided in the mid-1990's to oil and gas companies operating in the Gulf of Mexico the problems stemming from the Deep Water Royalty Relief Act, including a portfolio of leaseholders that pay no royalties at all for oil and gas exacted from Federal waters will cost taxpayers up to \$53 billion in the next 25 years.

The GAO report notes that almost \$1 trillion in Federal revenue was foregone in fiscal year 2009 due to tax expenditures, what the Simpson-Bowles Commission called tax earmarks. The 173 tax expenditures are similar to spending programs and can be the same magnitude or larger than related Federal spending in some mission areas, except without the oversight. We believe this is an area for this committee to play a critical role in increasing accountability, examining effectiveness and saving taxpayer dollars.

In its recent report, GAO says reductions in revenue losses from eliminating ineffective or redundant tax expenditures could be substantial. Tax expenditure performance is an area that would benefit from enhanced congressional scrutiny as Congress considers ways to address the Nation's long-term fiscal imbalance.

Last year, for example, GAO recommended that Congress modify the research tax credit to reduce windfalls to taxpayers for research spending they would have done anyway. This report suggests changes to the new markets tax credit as well as reviewing the tax-exempt status of Government bonds. Evaluating these tax expenditures for effectiveness and value and eliminating the largest corporate tax loopholes would pave the way for simplifying the corporate tax structure, lowering overall rates and establishing an important level of certainty for the business community. Other tax expenditures, such as the mortgage interest deduction or deduction for State sales tax should also be considered.

Reforming Federal activities related to corn ethanol would be a double whammy, eliminating redundant programs and enhancing revenue in one fell swoop. The use of ethanol is mandated, it is protected from foreign competition and it is subsidized. Any one of these redundant and market-distorting policy options might be proposed to help an emerging industry. It is indefensible that the mature corn ethanol industry continues to benefit from the decades-old refundable tax credit to blend ethanol, at a cost to taxpayers of more than \$5 billion per year.

Clearly, the GAO has given Congress much to think about. Eliminating duplication and waste in government and responsibly enhancing revenue are the critical first steps to addressing our \$1.65 trillion budget deficit.

[The prepared statement of Ms. Alexander follows:]



Testimony of Ryan Alexander
President, Taxpayers for Common Sense

House Oversight and Government Reform Committee
hearing on
“Refuse of the Federal Spending Binge II: How U.S. Taxpayers are Paying Double
for Failing Government Programs”

March 3, 2011

Good morning, Chairman Issa, Ranking Member Cummings, members of the Committee. Thank you for inviting me here to testify about duplicative government programs and ways to save tax dollars and enhance revenue. I am Ryan Alexander, President of Taxpayers for Common Sense, a national non-partisan budget watchdog.

Our mission at Taxpayers for Common Sense (TCS) is to achieve a government that spends taxpayer dollars responsibly and operates within its means. All of our work reflects our core belief that no one, no matter where they fall on the political spectrum, wants to see their money wasted. To that end, TCS has worked with the left and the right to achieve victories on stopping the “Bridge to Nowhere,” getting the earmark moratorium enacted, cutting funding for an alternate engine for the Joint Strike Fighter, and creating an Inspector General for the Iraq war.

We have testified before this committee several times with proven results for American taxpayers. We testified on cost overruns and problems with the F-22 Raptor and that program was stopped; we testified on crop insurance waste and that prompted the Agriculture Committee to take action. And we have also testified on both Army Corps of Engineers issues and worked with the committee regarding lost royalty revenues from off-shore oil and gas leases and both of them are in the Government Accountability Office (GAO) report, “Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue.”

This represents a greatest hits of GAO investigations and reports, a veritable buffet of federal programs from Agriculture to Defense, Economic Development to Energy, Homeland Security to Income Security, International Affairs, Health, Training and the catchall general government. In our more than 15 year history, TCS has worked on many of these programs and issues highlighted in the GAO report. We hope the increased scrutiny generated by this report and the good work of this committee will lead to meaningful and overdue reform or elimination of many of these programs.

One challenge identified by the GAO was that in some cases it was difficult to determine the level of overlap, duplication or redundancy among various programs. In other cases, it was hard to determine how much populations served by similar programs actually overlapped. Regardless, Congressional and Executive action on reforms would dictate the final amount of savings. As a result, the GAO won’t even come up with a total savings, but Sen. Coburn ventured a guess of \$100 billion. Regardless of the bottom

line number, government would be serving the public better if all programs had well-defined, clear, and measurable goals and priorities. Without these metrics, no one can tell you if programs are good investments or are even meeting the public's needs. This committee can play an important role in helping to identify programs that lack that clarity of mission and metrics.

Obviously, there is too much in this voluminous report to tackle in five minutes or even 50 minutes. I would like to highlight a few of the issues and areas.

Defense

Ferretting out waste, fraud, and abuse in the Department of Defense and elsewhere in the national security arena is one of the founding missions of TCS. While both parties steer clear of tackling security spending, we believe that wasteful defense spending can threaten both our wallets and our national security. Eliminating wasteful security spending is therefore of paramount importance, particularly as the nation fought two wars. Skyrocketing DOD budgets over the past decade have obscured opportunities to save billions. And wasteful duplication is particularly hazardous in an agency divided into four military services that are constantly competing for resources and protective of the ones they have. We see this pattern repeat from the highest echelons of Pentagon bureaucracy, which Defense Secretary Gates has begun to address with the closure of the Joint Forces Command in Virginia, to the myriad contracts for services—encompassing everything from catering to computer programming to battlefield security contractors—that now constitute the bulk of DOD's purchases. In addition to duplicating costs, this siloed approach to budgeting can prevent services from sharing information—for example in forming requirements for major weapons systems—that can produce future savings.

This incentive to create parallel functions for each service is clearly seen in the military personnel budget accounts. This part of the defense budget has seen disproportionate rates of growth and is projected to increase yet further in coming years. Of course, our men and women in uniform deserve our support, but experts ranging from the Congressional Budget Office to Secretary Gates himself have warned that increasing health and other benefits can bankrupt the Pentagon if not reformed. This duplication exists not only between the military services, as the GAO points out, but also between the public and private sectors. For example, too many younger military retirees rely on TRICARE as their main health care system despite full-time employment in the private sector because TRICARE premiums have not budged from their rock-bottom rates for over a decade. This kind of spending is unsustainable. There are also opportunities to coordinate between DOD and Veterans Affairs electronic health record systems and work together to control costs in areas such as drug purchasing.

Much of the duplication within defense spending goes unchecked because DOD can't reconcile its own bank accounts. Tracking cost data on major contracts through instruments such as performance-based logistics accounting is important and can potentially save money if implemented, but until DOD is able to certify the reliability of its cost data by making it auditable, such instruments will fall short. Unfortunately, as GAO has pointed out, DOD is years behind in putting systems in place to achieve this despite the fact that DOD is required by law to make its financial systems audit-ready by 2017. This failure not only makes DOD vulnerable to waste, fraud, abuse, and mismanagement but impacts its ability to anticipate future costs and measure performance, among other vital functions.

Duplication exists not only in the way we buy national security programs but in what we buy. The Joint Improvised Explosive Device Defeat Organization (JIEDDO) was pointed out by the GAO as but one example of how throwing money at problems can result in wasteful redundancy. Another is the issues

between Army and Marine Corps approaches to purchasing Tactical Wheeled Vehicles. As our budgets continue to tighten, we must continually reassess our defense goals and what we need to achieve them.

General Government

Acquisition problems have increased duplication and driven up costs across government, though the Departments of Defense and Homeland Security are particularly at risk. Reform measures such as finally implementing a comprehensive contractor performance database to prevent the government from rewarding bad performers could save billions in unjustified award fees. Encouraging competition and interagency contracting can help drive down costs – as much as \$500 billion by GAO’s estimate. But when the acquisition and oversight workforce in agencies such as DHS are so under-resourced that they must turn to the private sector to design, implement, and oversee complex contracts—as in the case of the recently canceled SBInet system—even these measures are destined to fail. We must continue to invest in our oversight bodies to ensure compliance with best practices and new reforms.

Another area prime for consolidation is data centers. While the government’s Chief Information Officer has launched a consolidation initiative that could eventually yield hundreds of millions in dividends, the scale of the problem is staggering. In a little over a decade the number of data centers more than quadrupled to more than 2,000 across 24 agencies. The large number of data centers increases energy use and personnel costs, introduces error, and makes it more difficult to compare data sets. Closing even 800 of these data centers could save nearly \$500 million.

Real property management by GSA has enormous possible savings, both from disposing of billions of dollars worth of unnecessary federal property, better vehicle fleet management, and better cost analysis of purchasing and leasing decisions.

Economic Development/Transportation

The nation’s surface transportation program is especially troubling. The federal gasoline tax used to pay for our roads, bridges, and transit systems falls far short of raising enough revenue to meet the transportation demands of the nation. Yet the public has little interest in a gas tax increase because they sense that the program severely lacks direction and accountability. Congress’s parochial and earmark approach spread funds to more than 100 programs in the last reauthorization bill, resulting in a fractured, inefficient approach.

The Essential Air Service program is a relic of the 1970s and airline deregulation. The program’s structure and eligibility requirements are outdated, and this program could be overhauled to save taxpayer dollars with little impact on small communities.

Right now the Corps of Engineers has their own federally funded piggy bank. Unlike most federal appropriations, the Corps receives “no year” money. That means that project funding that goes unspent in one fiscal year is available for expenditure in future years. But the Corps doesn’t make this information available to Congress which could lead to more efficient allocation of resources. The Corps is also an agency that will benefit from the move away from earmarks and to a merit-based, prioritization method in spending taxpayer dollars.

Using the Catalog of Federal Domestic Assistance, the GAO found more than 80 programs spanning USDA, Commerce, HUD, Small Business Administration all dealing with a variety of economic

development initiatives. In some cases there were legislative barriers to greater coordination, in others TCS suspects heavily earmarked accounts prevented merit-based and coordinated approaches. Regardless, this is an area that Congress and the Executive have to closely evaluate the proper federal role and potentially scale back and increase integrated activities.

Federal Emergency Management Agency

FEMA needs to better manage its grant programs designed to aid states and local governments prepare for emergencies. Currently these 17 programs are not coordinated to prevent multiple requests for the same projects or to ensure only the most needed projects are funded. This problem derives substantially from earmarking, so we hope the moratoriums will create an opportunity for improvement. For example FEMA's pre-disaster mitigation program, a competitively awarded program containing a 70 page document of requirements, was funded at \$100 million in FY2007 and contained no earmarks. Yet in FY2008 the program's merit-based process was subverted when \$52 million of its \$114 million budget was allocated through earmarks, some of this funding going to projects that did not even qualify under the FEMA guidelines. By consolidating and coordinating these programs into a coherent merit-based system, in which only the most beneficial projects are supported, FEMA can achieve significant savings, in tax dollars, property damage, and lives.

Improper Payments

While not necessarily duplicative, improper payments could cost taxpayers more than \$100 billion each year. Medicaid and Medicare are both areas where improved management could reap enormous dividends. Health and Human Services estimated that nearly 10 percent of Medicaid payments in fiscal year 2010 were improper, totaling \$22.5 billion. Also in the Medicare fee-for-service program more than \$30 billion in payments went out that lacked adequate documentation. Medicare Advantage, Unemployment Insurance, and the Earned Income Tax Credit were also areas tagged by GAO for inadequate oversight and documentation.

Oil and Gas Royalties

As we all know Big Oil continues its decade long trend of raking in billions in profits. Even at the height of the recession when the economy was shedding hundreds of thousands of jobs, profits for the top 5 oil and gas companies continued to soar. And while the profits flowed in, the federal government continued to provide generous subsidies, many of which have been on the books for nearly a century, to the oil and gas industry. One of the largest giveaways to the oil and gas industry is the royalty management and collection system which has been highlighted by the GAO numerous times and recently added to their high risk list this year.

It is the federal government's responsibility to protect taxpayers' resources and ensure they are adequately compensated for their sale. Unfortunately mismanagement and cozy relationships with the oil and gas industry has led to the oil and gas industry shortchanging taxpayers for decades by either underpaying or even not paying royalties at all. In the Gulf of Mexico, the federal government provided royalty "relief" to oil and gas companies for offshore drilling in the mid 1990s. The 1995 Deep Water Royalty Relief Act (DWRRA) awarded royalty "relief" for leases sold from 1996-2000. At the time the law was passed, oil and gas prices were only \$18/barrel and royalty "relief" might have seemed like a small incentive for drilling, but DWRRA has since become one of the biggest subsidies the oil and gas industries receive—the total cost to taxpayers could total up to \$53 billion in the next 25 years.

Education

The GAO found more than ten agencies spent over \$4 billion to operate 82 teacher quality programs to improve math, technology, engineering, and sciences education. While not at cross-purposes, many of these programs overlap without much coordination even within agencies. Similarly, there are 44 programs spending more than \$18 billion on training and employment efforts. Again, there needs to be greater coordination and consolidation of these programs which would yield efficiency savings.

Agriculture – Reducing Some Farm Payments

Outdated and ineffective farm policies waste billions of dollars each year. The GAO report mentioned nearly \$5 billion in potential annual savings from changing one type of payment, direct payments, which are calculated based on a farm's history of crop production, rather than current factors such as a farm's income. Even greater savings can be achieved by broadening the scope to include changes to other unnecessary or ineffective policies. With direct payments, counter-cyclical payments, the Renewable Fuels Standard, VEETC, subsidized crop insurance, permanent and ad hoc disaster assistance, as well as a host of other supports and subsidies, our nation's agriculture policy is fertile ground for reform.

Ethanol Subsidies

Corn ethanol is a mature industry that has enjoyed more than \$40 billion in subsidies. The Volumetric Ethanol Excise Tax Credit (VEETC) is the largest subsidy to corn ethanol, the most common biofuel in the U.S. The tax credit is worth 45 cents per gallon of ethanol blended with gasoline, costing U.S. taxpayers \$5.16 billion in 2009. Congress began subsidizing ethanol during a fuel shortage in the late 1970s by exempting gasoline blended with ethanol from gasoline excise taxes and establishing a tax credit for ethanol use. In 2004, the American Jobs Creation Act implemented the VEETC to replace these two historical subsidies as a combined excise tax exemption and tax credit which was extended this past December for a year.

Despite its significant financial and environmental drawbacks, in addition to the VEETC, the government mandated the purchase of corn ethanol in 2007, creating a guaranteed market making the VEETC completely unnecessary. Under the Renewable Fuels Standard (RFS), the U.S. is required to blend 36 billion gallons of biofuels with gasoline by 2022, up to 15 billion gallons of which can come from conventional corn ethanol.

Ethanol producers and blenders already benefit from government mandates and small producer credits; the VEETC only adds to the layers of subsidies for corn ethanol. The VEETC must end.

IRS Efficiencies

A variety of technology improvements could make the revenue collection process, while not more pleasant for taxpayers, at least more efficient and consistent. Efforts to increase electronic filing would cut agency costs while better targeted enforcement actions and collection management would also responsibly increase revenue. Another important area is improving compliance through tracking available data sources such as unreported business sales data and improving mortgage interest data collection. For our tax system to work, everyone must feel that all taxpayers are paying their fair share and not gaming the system.

Tax Expenditures

The GAO report notes that almost \$1 trillion in federal revenue was forgone in fiscal year 2009 due to tax expenditures - revenue that is viewed by many as spending channeled through the tax system. The 173 tax expenditures are similar to spending programs and can be the same magnitude or larger than related federal spending for some mission areas except without the oversight. GAO states that tax expenditures:

- can contribute to mission fragmentation and program overlap, creating the potential for duplication;
- may be ineffective at achieving their social or economic purposes;
- are effectively funded before discretionary spending is considered;
- may or may not be subject to congressional reauthorization.

The final report of the National Commission on Fiscal Responsibility and Reform recommended eliminating virtually all income tax expenditures and using the revenue to lower tax rates and reduce deficits. It called for the elimination of more than 75 special subsidies for different industries in order to “create an even playing field for all businesses instead of artificially picking winners and losers.” In its recent report, GAO says, “reductions in revenue losses from eliminating ineffective or redundant tax expenditures could be substantial ... GAO believes that tax expenditure performance is an area that would benefit from enhanced congressional scrutiny as Congress considers ways to address the nation’s long-term fiscal imbalance.”

We believe this is a unique opportunity for this committee to make a tremendous contribution to deficit reduction efforts by taking on the long-standing problem of tax expenditures. We agree with the Deficit Commission and the GAO. We recommend, at a minimum, a review of all tax expenditures and preferably, the elimination of many individual and corporate tax expenditures coupled with an effort to lower overall tax rates and broaden the tax base. In particular, we have advocated for elimination of tax expenditures and other tax loopholes that are not only redundant, but that also benefit some of the most profitable companies in the world for making investments they would make anyway. Last year, for example, GAO recommended that Congress “modify the Research Tax Credit to reduce windfalls to taxpayers for research spending they would have done anyway.” In this report, changes to the New Markets tax credit, and tax exempt status of government bonds are also recommended for review.

Other tax expenditures Congress should look at closely include:

- **Deduction of State and Local General Sales Taxes**, which will cost roughly \$14 billion over the next five years. The principal beneficiaries are the residents of states that don’t pay state income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.
- **Last-in, first-out (LIFO) accounting** \$22.9 billion enables companies to move the most expensive inventory off of their balance sheets, and thereby reduce their taxable income, even though the actual movement of inventory occurs on a first-in, first-out (FIFO) basis in many industries. LIFO is already prohibited by International Financial Reporting Standards. The repeal of LIFO, if applied to all industries, would save \$22.9 billion over the next five years. Oil and gas companies account for roughly half of the cost of LIFO.

- **Mortgage Interest Deduction** will cost the US Treasury \$64.3 billion over the next five years. The Congressional Budget Office has detailed an alternative that would convert this to a tax credit for interest paid, which would better help achieve the purported goals of the existing deduction – making home ownership more affordable.

Conclusion

Clearly, the GAO has given Congress much to think about. But staring down the barrel of a \$1.65 trillion budget deficit we have to make hard decisions about where the federal government should invest our tax dollars. Eliminating duplication and waste in government and responsibly enhancing revenue are key areas that would help the country step back from the fiscal abyss.

Chairman ISSA. I thank the gentlelady. You beat Mr. Dodaro, you yielded back 18 seconds. This is probably a record for any committee.

I now yield myself 5 minutes.

Mr. Davis, the work you did while you were here continues on. But as you can see, there is more to do. When we start looking at duplicative programs, from your experience on this side of the dais, do you recommend that if the committee authors legislation that we use carrot or stick or both? For example, we could look at these programs and we could simply say, through appropriations, we are only going to fund X amount, now you have to figure out how to combine these, rather than perhaps only eliminating them when you run out of money, period.

Or do we create legislative authority for pools of savings being combined, and thus create an opportunity in which there is a carrot for agencies that come together, such as the electronic medical records, if in fact DOD and our previously serving members, often known as veterans, can simply come together and realize they are dealing with the same people and yet dealing stovepipe with two different systems? How do you view those two options?

Mr. DAVIS. I like the carrot better, simply because when you try to starve a budget, they look within their budget. They don't look at how they can share savings with another agency. It is just not in the nature of the beast. If you can incentivize groups to work together in those kinds of shared savings environments, you can do much better.

Look, organizations are, you have to look at how they are incentivized. They are hesitant to give up the control or to partner, because they don't know what authority they may lose over the long haul. So when it comes to shared savings, we are not getting the sustainability we need.

I would do something like mandating agencies to look at two or three lines of businesses within each one where they could share some of these instead of putting them into stovepipes. But just starving them doesn't incentivize them to work with other agencies, unfortunately. That is just not the nature of the beast.

Chairman ISSA. I appreciate that.

Mr. Dodaro.

Mr. DODARO. I agree with Mr. Davis. I think the incentive—

Chairman ISSA. He is not chairman any more, you know, you don't actually have to agree with him. [Laughter.]

Mr. DODARO. In this case, I mean it. [Laughter.]

I think there are disincentives in the budget process, for example, in the way the money is there. It is difficult to collaborate across agencies. And I think there could be more flexibilities that way.

Also, the ideas that you posit there I think are also true at the State and local level, in dealing with Federal on grants. For example, we have recommended that the Federal agencies look at incentives for States to combine in the employment and training area. Now, a lot of these programs are delivered through State and local administrative structures. A lot of times they have to set up separate structures in order to deliver multiple Federal programs.

So I think there is a lot of opportunities for incentives and some flexibility.

Chairman ISSA. Quick followup on that. Since so much of what is delivered in programs like that is in fact Presidential earmarks, often called grants and competitive grants and so on, should we require that the executive branch do that consolidation? Recognize that if you are going to give five pots of money that do substantially the same thing all from the executive branch and all on, many of them, non-formula, that in fact that they be combined? Do you think that is a wise piece of legislative, or should we try to work, if you will, to combine with the administration in their own best interest?

Or last, should we give the States authority to essentially combine grants, so that no matter where they come from, they can merge them, which is something that Governor Barbour has talked about, where he gets different puddles of money, and each one is with different strings. How do you view those various options to try to get the efficiencies?

Mr. DODARO. I think all the options are very valid ideas. At the Federal level, I think there are opportunities to consolidate these various programs. For example, we understand in the administration's proposal for reauthorization in the education area actually 38 programs that we have identified are proposed to be consolidated into 5. There are some thoughts on surface transportation. Clearly, that.

I do think the States should have some flexibility to show, and they can do it on a way to help reduce some of their own costs. As you know, they are struggling with their own fiscal stress. And give them some flexibility to combine, as long as there is proper accountability in place.

One of the things we have said is that there is not enough tracking of unobligated balances in a lot of the grant programs. So I think all those could work.

Chairman ISSA. I appreciate that.

Ms. Alexander, just a quick one. In your opening statement, when you took on one of the hardest pillars to take on around here, the ethanol subsidy, and I appreciate that, how do you propose that we begin the process of doing away with one of the obvious non-fossil fuel wastes in government? Do you suggest that we in fact take that \$5 billion and simply force it to be put into renewable fuels more broadly, so there can be competition from what most would call the more promising fossil fuels? Or do you have an alternate suggestion?

Ms. ALEXANDER. Our preference would be to have that be savings, and that be savings that go to deficit reduction. That has been our preference in terms of the elimination of VEETC for several years. I think in many ways, the answer on VEETC for us is this just can expire. It is done at the end of this year. It could have been done last year. So we don't see a need for replacing it.

There are lots of efforts to look at new and more promising fuels. But I don't think that they need to be tied to VEETC. That is just a failed policy that is redundant.

Chairman ISSA. Thank you very much.

I recognize the ranking member for his questions.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Dodaro, one of the things that I found interesting about your report is, in the report it said DOD made major revisions to its acquisition policies. And you went on to say, more emphasis was placed on knowledge about the requirements, technology and designs. I found that when, as chairman of the Coast Guard Subcommittee, what we discovered, when we were dealing with the Deep Water project, when they were buying \$25 billion worth of hardware over 25 years, and had boats that didn't float, part of the problem, literally, literally, part of the problem was, the acquisitions process. In other words, they didn't have people who knew what they were doing with regard to specifications, with regard to putting together contracts, with determining when something, performance was done. They even had the contractors determining when bonuses would be given.

And so I am just trying to dig deep in here with this DOD, because we see a lot of money going out the door there. How far have they gotten with that whole acquisitions process? You said they have made some movements. What do you see that, how much progress have they made, and do you see other things that could be done in that regard?

Mr. DODARO. I think basically, for example, in the weapons systems acquisition, they put in place, as a result of congressional laws the Weapons Systems Acquisition Reform Act of 2009, they put good policies and good practices in their regulations and manuals. But they need to implement them more consistently across the department.

Mr. CUMMINGS. How can we get them to do that? I guess that is the question.

Mr. DODARO. I think there is no substitute for regular congressional oversight.

Mr. CUMMINGS. And Chairman Davis, you talked earlier to me privately about, it has to be a sustained effort. How do we sustain, I know with the Coast Guard, we just kept bringing them back, over and over and over again. And we got things done. We saved, I am sure, a few billion dollars in a very few years. But I am trying to figure out, how do we keep that sustained effort, Chairman Davis?

Mr. DAVIS. Two things. One of the difficulties in sustaining this in government is that you have people who are replaced over a period of time.

Mr. CUMMINGS. Right.

Mr. DAVIS. They have a lot of other priorities. I liken it to mergers and acquisitions. In the private sector, when you merge, it is costs, you have to take those out, you need to stay competitive. You have strict time lines, you have management oversight from above. So many times in government, you have costs that look good at the front end, on paper, but by the time they are translated 2 or 3 years, it sometimes ends up costing you, because you have this wait it out atmosphere.

One other thing on the procurement, we still don't have enough procurement officers. There is a paucity of procurement officers at the Pentagon. They need to hire and train more people in these

areas. It saves money in the long term to have good people behind there.

Mr. CUMMINGS. Mr. Dodaro, I only have a few minutes left, 2 minutes left. Your report also says the United States is essentially giving oil companies up to \$53 billion because back in 1995, Congress exempted them from paying royalties on certain leases in the Gulf of Mexico. There are some oil companies today that are paying no royalties to the American taxpayers on certain leases. As part of this so-called royalty relief program, these companies are removing the oil and gas, which belongs to the American people, selling it and making record profits.

So I am just trying to figure, this is our money, isn't it?

Mr. DODARO. Basically, we have recommended that, there has not been a comprehensive look in 25 years of what the Federal Government is charging for these leases. And when they are ranked, the U.S. Government is ranked against other countries and even some States, we rank very low as to what we are asking for on a regular basis for return on the leases for these lands.

Interior has finally agreed to do that comprehensive assessment. It is supposed to be completed this year. I would encourage the Congress to review that study and to make sure that there are proper incentives.

We have also said, Mr. Cummings, that there is not enough verification of the production that is occurring on those lands, in order to make sure the government is getting its fair return.

Mr. CUMMINGS. And you put this on your high risk list, is that right?

Mr. DODARO. That is correct.

Mr. CUMMINGS. And why was that?

Mr. DODARO. Well, we believe that there wasn't reasonable assurance that the Federal Government was getting the revenues that they were due as a result of those leases, for two of the reasons that I mentioned before.

Mr. CUMMINGS. In other words, we are being cheated?

Mr. DODARO. Well, I think it is not clear that we have reasonable assurance we are getting everything we should.

Mr. CUMMINGS. You say that in a very nice way, but the fact is, it is money that is due the American people, on our land, and we are not getting it. Let me tell you something. If that happened anywhere, if people were being cheated, folks would be going to jail in my district. Matter of fact, if somebody steals a \$300 bike, they go to jail.

So here we have billions drifting away, and at the same time, we are trying to find money to make sure that kids can go to school and have teachers and all that kind of thing. But this has to be a priority. I know the chairman has made it a big issue, this is a big issue for the chairman. I am really looking forward to working with you, Mr. Chairman, as we tackle this problem.

Thank you, Mr. Chairman.

Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Florida, Mr. Mack.

Mr. MACK. Thank you, Mr. Chairman.

A quick note on the ethanol. Count me in on finding those savings. On a personal issue, the ethanol has been screwing up my boat motor. So count me in. [Laughter.]

A minute ago, the ranking member said that the OMB wasn't here partly because they are planning and they are doing. But wouldn't it have been a great way to plan to actually come to the hearing and get some input and share their thoughts? And the ranking member also said that one of the ways that they were able to get some savings and be effective in another committee dealing with the Coast Guard was, keep bringing them back. Well, I would like for the OMB to show up for the first time, so we can keep bringing them back and figuring out ways to save some money.

Let me start with this, Mr. Dodaro. Has the administration had any reaction to your report so far?

Mr. DODARO. I have not talked to them about the report. There are some areas in here in our high risk list that we have made a number of attempts to have discussions with OMB and the agencies on the high risk list and the GAO. So we are engaged in regular discussions on that.

I do believe the announcement also yesterday that they were proposing a commission to deal with the Federal real property issue was in response to this report as well. I do plan to followup with them and try to create dialog to make sure that all these issues are addressed.

Mr. MACK. But they haven't had a reaction? It would be nice if the Director of OMB was here so we could ask him that question.

Mr. DODARO. Yes. My understanding is yesterday that the deputy for management over at OMB, Jeff Zients, said that they are on the same page as we are.

Mr. MACK. Mr. Davis, good to see you again. Isn't this really, I remember my first term here when we were in the majority, weren't the reports, and didn't President Bush at the time, didn't they come out with programs that were duplicative in nature, that could be done away with? So this is a real problem, this isn't the first report or the first time that we have learned that the Federal Government is wasting money by having duplicative programs.

Mr. DAVIS. No, Mr. Mack, unfortunately, it is a soap opera. I think Mr. Dodaro would agree with that. There are things that have been on that high risk list for generations. It takes a sustained effort on the part of Republicans and Democrats up here working with the administration to get these done. The problem is just keeping your eye on the ball with everything else that goes on. And when you cut budgets, when you go through CRs, these are the kinds of things that fall through the cracks.

You still have the Pentagon. Books aren't auditable. So how do you know where you are on these kinds of things? So yes, it is a soap opera.

Mr. MACK. And Mr. Dodaro, can you give us any recommendations on what might be some of the low-hanging fruit? Mr. Chairman, if we could move on any of these, I think it would be a sign of moving in the right direction. So is there any kind of low-hanging fruit, things that are so either ridiculous in nature that by not acting, is kind of a shame?

Mr. DODARO. I think, my recommendation would be to first build off where there is pretty good consensus about the need to streamline. Like for example, in the areas I mentioned about multiple programs, there are some recommendations to the administration. For example, in the employment and training area, to reduce and consolidate some of the programs. In surface transportation, there is agreement. Teacher quality, improving those programs, consolidating in the education field. There is some common agreement there.

So my suggestion would be to build off where there is consensus as a starting point. A number of these areas are also, as Mr. Davis mentioned, on our high risk list. There we have seen progress.

I would say the real point, though, we took two areas off the list this last update. And both those areas had more than a dozen congressional hearings, and a lot of dialog with the administration to produce the results that were there. It requires top level attention, metrics on progress. But there are a lot of opportunities to do this.

There are also opportunities in the real property area, Federal real property, that is not needed but needs to be disposed of. We are spending, by latest estimates, almost over \$1.6 billion a year to maintain property that is under-utilized. That doesn't make sense. There should be more competition in contracting. About a third of the contracts that were put in place either had no competition or only one bidder on the competition.

There is also \$640 million that is sitting in a Customs collection account for a number of years that there haven't been decisions on how to use. That could be clearly an easy and quick win there.

And there is also a lot of money going out the door in improper payments that I think could be stopped. That is going to take some time and effort. We have talked about the use of technology there, but I think that is another area where the latest estimate, and not all programs have been estimated yet. The latest estimate is about \$125 billion.

So I think there are plenty of targets of opportunity, and we would be happy to work with the Congress and the administration to get results.

Mr. MACK. Thank you very much, and thank you, Mr. Chairman. Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Ohio, Mr. Kucinich, for 5 minutes.

Mr. KUCINICH. Thank you very much.

Ms. Alexander, I would like to ask you, as president of Taxpayers for Common Sense, for your take on the American people giving the most profitable industry in the world a \$53 billion gift. I would like to break this down in laymen's terms. And if I have any misperceptions about this, maybe you could help me with it. Due to a flaw in the 1995 Outer Continental Shelf Deep Water Royalty Relief Act, numerous oil companies are now drilling in the Gulf of Mexico, in Federal lands, and paying no royalties to the Federal Government. Is that correct?

Ms. ALEXANDER. That is right.

Mr. KUCINICH. And as we have heard, GAO—could you say that louder?

Ms. ALEXANDER. My mic was not on. I am sorry. That is right. They are paying no royalties right now as a result of an error at

Interior and the structure of the Deep Water Royalty Relief Act and subsequent court case.

Mr. KUCINICH. Thank you. Now, as we have heard, GAO reports that U.S. taxpayers could lose as much as \$53 billion as a result of this. And it has already begun. In fiscal year 2011 alone, the Bureau of Ocean Energy Management, Regulation and Enforcement estimates that we will lose \$1.4 billion.

In contrast, the oil industry is making staggering profits. For example, the top five oil companies reported profits of \$485 billion from 2005 to 2009. ExxonMobil, the largest American oil company, reported a 53 percent increase in its fourth quarter profits. Chevron, the No. 2 American oil company, reported fourth quarter earnings were 72 percent higher than the preceding years. The third largest, ConocoPhillips, reported that its quarterly profit climbed 46 percent.

Now, Ms. Alexander, is this an industry that needs billion dollar giveaways?

Ms. ALEXANDER. Taxpayers for Common Sense has worked on this issue for a long time, and I think our position is perfectly clear that we do not think the oil companies need these subsidies or really any others. So we think this is an issue that is ripe for Congress to address. And because in some ways it is so outrageous, the problems with the Deep Water Royalty Relief, that there should be bipartisan agreement on it. These are taxpayer assets that people are taking. If any one of us owned those oil and gas reserves and said, yes, just take it, people would think we were a little crazy.

Mr. KUCINICH. Well, back in 2005, when the oil was at about \$55 a barrel, President Bush addressed the American Society of Newspaper Editors. I want to quote to this committee what he said. "I will tell you, with \$55 oil, we don't need incentives to the oil companies and gas companies to explore. There are plenty of incentives. What we need is to put a strategy in place that will help this country over time become less dependent."

Ms. Alexander, would you agree with that statement by President Bush?

Ms. ALEXANDER. I would, and with oil at, last I checked, about \$98 a barrel, it seems like it still applies.

Mr. KUCINICH. So his point makes more sense now, right?

Ms. ALEXANDER. Right.

Mr. KUCINICH. Recently, John Hofmeister, who retired from Shell in 2008, and now runs Citizens for Affordable Energy, told a national journal that big oil companies don't need government help. Would you agree with Mr. Hofmeister?

Ms. ALEXANDER. I would agree that big oil does not need government help.

Mr. KUCINICH. How could we modify this subsidy structure to encourage a transition of, let's say, clean, renewable energy sources?

Ms. ALEXANDER. Our position has always been, we know what we don't need and we can get rid of it. Congress can come together, develop a solution to the problem with the Royalty Relief leases and simply just, some of the bigger tax expenditures have significant benefits for oil and gas companies. There are subsidies for oil and gas companies riddled throughout the tax code and throughout different spending programs. So we think this is a big opportunity

for there to be bipartisan action for reform that will help close the deficit, just one baby step, and let a mature industry stand on its own two feet. Many of these subsidies, the Royalty Relief is not 100 years old, but other oil and gas subsidies are as much as 100 years old, and it is a mature industry that doesn't need them any more.

Mr. KUCINICH. And these handouts don't do anything to help the American economy, is that right?

Ms. ALEXANDER. We think that these handouts are enriching very profitable companies.

Mr. KUCINICH. OK, thank you, Mr. Chairman. I yield back.

Chairman ISSA. Would the gentleman yield his remaining time for just a followup question?

Mr. KUCINICH. Sure.

Chairman ISSA. Ms. Alexander, you are nuancing, and I think it is important for everyone that wasn't here when Chairman Davis headed up our investigation, it is the leases that are flawed, not necessarily the law, isn't that correct? In fact, the leases did not properly have the language to trigger when fuel prices, when oil prices and natural gas prices reached a threshold to actually trigger the royalties. That is the reason that most of this money is not being paid.

Ms. ALEXANDER. My understanding is that there is a set of leases that were issued between 1996 and 2000 that are flawed. There was an error in the drafting. Then because they didn't have a price threshold in them, subsequently a court ruled that all the price threshold language in any leases in that period that contained them was flawed. So all of those leases are exempt from royalties right now. So it is a complex problem.

Chairman ISSA. And I do think there is bipartisan support, still, to try to fix that. I thank you.

Mr. Lankford of Oklahoma.

Mr. LANKFORD. Thank you. And thanks to you all for coming.

We had talked earlier today about incentives for agencies to try to look for duplicative waste. Obviously everyone wants to have more staff, wants to do more things, wants to engage it, and everyone sees the problems, they want to help solve it. What incentives specifically do you see that you think, OK, this is an incentive to help? Because honestly, I have talked with several people that are Federal workers. They see it as well, they see the waste around them. They say, I can't believe we fill out this form, I can't believe we do this, someone else does this. They see it. How do we create incentives within that agency to that specific employee to say, when you see it, here is a way to be able to help us get out of it?

Mr. DAVIS. I will give you a couple of examples. When I was head of the county government in Fairfax, I went to my agency heads at a budget time and asked them to cut their budget. They came up with nothing. When we said look, of what you can find, you can spend some of this your own way, within certain guidelines, they came up with a lot more.

Mr. LANKFORD. Right.

Mr. DAVIS. Who is interested in cutting their budget if it is going to go to somebody that overspent their budget, or if it is going to "deficit?" It is just not in the nature of the way things work. So that is one thing you could do.

Another thing is, we could bring agencies in and ask them to take certain line of businesses and look for ways to share savings and report back. Just if it is two or three lines of business per agency, where right now they are stovepiped but they could work together. The best example of that is the health records between VA and DOD. There is no reason you have to do different sets of health records.

Now, I will give you one other that affects the State, if I can just take a second. Right now, for State governments, they are spending a lot of money on just being able to authenticate their communications with the Federal Government. Security standards exist for States to authenticate users to access data in federally funded systems that are hosted by the State. But each Federal agency interprets the standards differently, so States have to meet each Federal agency standard, replicating a different process to various programs. That costs a lot of money.

So Social Security uses technology for verification, Department of Justice will use a certain procedure and protocols on that. So they are having to do different things. They ought to have one standard across the board for these kinds of things.

Mr. LANKFORD. That is terrific. Mr. Dodaro, do you want to comment on that as well?

Mr. DODARO. Mr. Davis talked about, within each agency, and I do agree with his suggestions in terms of forcing people to come up with recommendations. But many things that we point out in our report are multiple agencies involved in the same area. We believe the only way this is going to get solved is by high level attention within the administration. OMB needs to play a very critical role in this whole endeavor, and the Congress does as well, to provide the right type of incentives there.

For example, one of the areas, it is not mentioned in here, what we are going to work on, it is on our high risk list, is modernizing disability programs. There are about 200 different disability programs. And because of our insistence in working with OMB on the high risk set of meetings I talked about before, we brought together all the agencies involved in that process. It was one of the first times they have ever met to be able to discuss that.

So I think there are ways to build in incentives and deal with disincentives.

Another area that we have recommended before is leasing versus buying. There is sort of a bias in the rules toward scoring that differently. We have recommended that be changed as well.

Mr. LANKFORD. Let me ask you a specific question as well, Mr. Dodaro. You had mentioned about the contracting vehicles, and you are recommending fewer contracting. Have you compiled a list of contracting vehicles you say, these should be seriously looked at?

Mr. DODARO. Yes. These are contracts that are inter-agency contracts. What we have said is there is really not a list, the list ought to be compiled by the executive branch, it ought to be made visible, and people should make sure they—

Mr. LANKFORD. So right now, we have a multitude of different contracts and systems of contracts for procurement. You don't have, at this point, a list to say, here are the different contracting vehicles we think are inherently inefficient?

Mr. DODARO. We have the types of vehicles that are inefficient, or pose more risks to the Federal Government. I would be happy to provide you that.

Mr. LANKFORD. That would be terrific. I would like to be able to have that list as well.

Is there a need as well, you were able to reach into all these different agencies and be able to research them in a way that most people cannot. What would you perceive as the need for individuals to be able to reach in and be able to search the data, so the agencies can get out their employment, their strategies, their program philosophies, to be able to go through data and to be able to actually search it? Not just a .pdf on some Web site, but actually searchable data, is there a need for that and is that possible to pull off?

Mr. DODARO. There is definitely a need for it. There is not enough of it. And it is possible to pull off.

Mr. LANKFORD. That is one of the areas I look at and say, you have the opportunity to be able to do that. But there are lots of people at home that would like to be able to search that and research that, whether they be journalists, whether they be individuals. That is something I would like to see us continue to push on as a committee. I know it has been talked about before, to continue to find ways to be able to push and do that.

And one last thought on it, sunseting programs. Is there a particular plan that you have seen to say, this is a great way to sunset these things out?

Mr. DODARO. I think there needs to be regular reauthorization of programs. There are too many programs that are created that don't have a regular review and process in place. I do think the Federal Government needs to invest more in regular program evaluations. One of the things we find and we talk about in here is a lot of these programs have been operating for years, and there is really not a lot of empirical evidence of what the returns are and whether they are being effective. So I think the Federal Government has, in the past, shortchanged the program evaluation, and I think it needs to be more put in place on a regular basis.

Mr. LANKFORD. Terrific. Thank you. I yield back.

Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Virginia, Mr. Connolly, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman. Let me welcome the panel, in particular, our former chairman and my predecessor in this seat in Virginia, my good friend, Tom Davis. Welcome back, Tom.

In fact, perhaps, Congressman Davis, we could begin with you. You talked about the fact that it would be a wise investment to expand the number of acquisition and procurement personnel within the Federal Government, so that we are looking for efficiencies and cost savings. Could you expand on that just a little bit? Because one of the things that certainly has struck a number of people is that Federal contracting increased enormously in the 1990's, but procurement and acquisition personnel within the Federal Government did not keep up with that.

Mr. DAVIS. In fact, in some areas it declined during that time. It was a way to cut budgets. In fact, many times you go to a procurement meeting now, and what you have is a lot of contractors running the procurement. That is not all bad, but you need a cadre inside of Government who understands the tool box that they have, can figure out what gets the best value for the Government. And that needs constant training, it needs all of those kinds of things.

And what has happened, many times, is we end up scrimping on procurement personnel, we lose good personnel to the private sector. And yet that is where you get your cost overruns, that is where you get contracts that are not performing well, because you don't have the appropriate oversight all along. That has been my experience.

And I think it is money, for the most part, that is pretty well spent, provided you continue to train people once you hire them. I don't know if Gene agrees with that or not, but that is my observation.

Mr. DODARO. I think that is definitely the case. For example, at DOD, the amount of contracting of goods and services more than doubled over the past several years. And the acquisition work force grew less than 1 percent. There are efforts now to try to bolster that work force with proper training and proper oversight. It is a good investment.

Mr. CONNOLLY. I think that is a really good point. Sometimes we get carried away with things like refuse of Federal spending binge, titles like that. But sometimes we have to make strategic investments, in fact, if we are going to protect taxpayer dollars. Is that not correct, Mr. Dodaro?

Mr. DODARO. That is true. You need to look at the outcomes you are getting from the programs. But you have to make sure you have the proper oversight. Contracting is a particularly important area.

Mr. CONNOLLY. Congressman Davis, just one other thing. Just knowing your interest in the technology sector, right now the administration is looking at Federal data centers and trying to consolidate. There has been a big proliferation of the Federal data centers. What is your sense of the prospect of perhaps both achieving more efficiency, protection of data and cost savings for the taxpayers?

Mr. DAVIS. You have over 2,100 data centers right now in the Government for 24 different agencies. I think you could save several hundred million dollars a year by consolidating. I think you ought to put this on a fast track.

You need to look at the security as you do those kinds of things. But look, in so many areas, we are not sharing savings, we are stovepiping. And as Mr. Dodaro said, there are so many ways we could work across agencies to store these kinds of things. You get not only economies of scale in this, you get a lot of other savings along the way if we would learn, between agencies, to share these things. It has just not been the culture.

Mr. CONNOLLY. Thank you.

Mr. Dodaro, going back to the subject of oil, and Ms. Alexander, in response to the chairman's question on Mr. Kucinich's time, he said the problem is really with the royalty agreements, not so

much with the law. I thought I heard you say, well, actually there was a change, a flaw perhaps, in the law that was written in 1995 that had the effect, did it not, of pretty much exempting a lot of offshore oil drilling from any royalty payment at all.

Ms. ALEXANDER. It is my understanding there was a flaw in the execution of the leases at Interior in the 1990's. Whether or not there is a flaw in the law is a little more of an opinion matter. But I think it is a fact that there were errors in the drafting and execution of the lease agreements at Interior in the 1990's. We think there are problems with the structure in the law just because it then, subsequently in a court decision, moved all price thresholds in that context, the legal. But it is, the execution of the leases was a problem.

Mr. CONNOLLY. Yes, but with respect to this change in the law, that is something, obviously, within the purview of Congress.

Ms. ALEXANDER. Well, Congress can solve this.

Mr. CONNOLLY. That is right.

Ms. ALEXANDER. This is something that Congress can come together and figure out a solution for, and we hope that you do.

Mr. CONNOLLY. And finally, because my time is about to run out, Mr. Dodaro, any estimate on the lost revenue to the U.S. taxpayers in terms of the fact that we are 93rd out of 104 countries in royalties exacted from the oil industry?

Mr. DODARO. I don't believe we have a current estimate in that regard. But I do think, as I mentioned earlier, that we don't have reasonable assurance that we are collecting as much as we should.

Mr. CONNOLLY. Thank you. I yield back, Mr. Chairman.

Chairman ISSA. Thank you.

Mr. Kelly of Pennsylvania for 5 minutes. And would the gentleman yield for just a moment?

Mr. KELLY. I will, sir.

Chairman ISSA. Thank you.

I think the gentleman, Mr. Connolly, made a very good point, and his chairman, Mr. Lankford, that in fact this is probably one of the areas in which the subcommittee needs to take on, under procurement reform, and work together. Because I do believe that this is an example where these kinds of questions and answers here, we can provide your subcommittee some of the history, so that you could work on procurement reform to make it clear that we never write a law again that could be misinterpreted by Interior, written incorrectly and then ultimately not survive at the court. So I appreciate that, and I yield back.

Mr. KELLY. Thank you, Mr. Chairman.

Mr. Dodaro, good to see you again. It is nice to have Western Pennsylvania people in the room.

One of my questions, from where I am, we do a lot of touring, and I have been to a lot of meat packing plants. My question has always been, and I don't understand this, and maybe you can shed some light on this. We start to talk about duplication and how many people we have in different places checking different things, a lot of them checking the same things at the same time and trying to come up with maybe some type of a lead on how to do it.

But I know in meat packing plants, the USDA has an inspector there every day, is that not true?

Mr. DODARO. I believe so.

Mr. KELLY. And again, I say this from being there. My question then comes, we have these folks there every day. And then we have a plan called the Hazardous Analysis Critical Control Point, and it is, let me just read this. Considered that its pure and scientific application is a state-of-the-art food safety system, every meat plant designs their own system, in accordance with USDA requirements, and must operate successfully under this system. We do not need an inspector at every plant every day. We operate the same facilities, the same systems, whether inspectors are present or not.

And I would just say that, for what I have done in my lifetime, running footage is a lot more important than snapshots from time to time. So we have these folks in these plants every day, USDA inspectors. They are watching what these people do. In addition to that, we send in another group that comes in to go over what they have already gone over.

Now, when that happens, these folks, and these are not large meat processors, in some cases, they are small places, have maybe 40, 50 employees. They have to stop what they are doing and spend a week going over the plan, which is gone over every day with the USDA inspector. I am just trying to understand, as we go through this, and we see the duplication of this and the cost to taxpayers, and really the cost benefit analysis, where in the end does it serve the taxpayer or the people in those businesses? Could you shed any light on that at all?

Mr. DODARO. Yes. We have pointed out, for a number of years, that the food safety system is completely fragmented. It is really not operating effectively. There is a need to go to a risk-based approach, and I think that is where you are pointing out the real need to do that. We have recommended that there be, Congress commission a study with the National Academy of Sciences or some blue ribbon panel to redesign this. A lot of our food now is coming from foreign sources, and we are still focused on domestic production a lot.

So we have said that the system right now can be a lot better, and there needs to be a real look at it. The risk-based approach is really the way to go.

Mr. KELLY. And I wonder about this. I come from private industry, I am not really well-hinged with government. I just keep wondering why we keep shooting ourselves in the foot and wonder why we are limping. We have these committees, we ask these questions, we keep going over and over and over again. And everybody comes up with the same answer. There are too many regulations from too many agencies, there is too much duplication, there is too much overlap. When does it stop? When do we fix it?

Mr. DODARO. I think you just have to figure out which priorities Congress wants to pursue and stick with it. There is not a lot of substitute for just rolling up our sleeves and focusing on these areas and making sure we get results. It requires sustained follow-through. There are cultures and incentives that will keep things in place until they are broken. And the only way they will be broken is through sustained efforts by the Congress and the administration in order to do it. Otherwise, it won't change materially.

Mr. KELLY. Well, I am looking forward to working with you. We try to drive to those same conclusions and get things fixed.

Thanks very much. And with that, Mr. Chairman, I yield back. Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Massachusetts, Mr. Tierney, for 5 minutes.

Mr. TIERNEY. Thank you, Mr. Chairman.

It is interesting, Mr. Dodaro, I heard my colleagues say that they would like to solve the problem having to do with the leases and the non-collection of royalties on that. Your report recommends that the Government obtain a fair return on oil and gas produced by Federal leases. It seems like a very common sense recommendation. Everyone on the panel says they agree with it.

But interestingly, these no-royalty leases continue. And you agree that we are not getting a fair return currently, correct?

Mr. DODARO. There is not reasonable assurance we are.

Mr. TIERNEY. And then we had the report last year from Mr. Issa and his colleagues tell us on page 4 that the total loss from offshore drilling may extend beyond the troubled 1998 to 1999 leases. The paragraph goes on to culminate in the end saying, depending on the market price of oil and natural gas, the total costs of foregone royalties could total nearly \$80 billion.

In fact, your report, Mr. Dodaro, says it is between \$21 billion and \$53 billion, dumping from these oil companies into their pockets instead of paying down our debt. We have Shell and BP and Chevron and ExxonMobil, \$485 billion in profits. And they have lost 10,200 jobs. So this is the situation we do, and we talk about wanting to understand the history. That is the history. Everybody knows what the problem is. Everybody knows what the consequences are.

And I just want to make sure everybody knows there is a solution out there. My Massachusetts colleague, Ed Markey, has proposed a way to address this problem. First, he recognizes that you can't go back and void the leases without risking new litigation. His resolutions are an alternative to that. It would not allow any new leases to companies that are currently benefiting from no-royalty leases. Those companies have a choice, you either keep your no-royalty leases, or you can renegotiate them to begin paying a fair price and get new leases eventually on that. It is up to them.

Now, my colleague has worked very closely with the Congressional Research Service to make sure there are no constitutional issues with this problem. So my question to you, Ms. Alexander, is does Taxpayers for Common Sense support Mr. Markey's legislation?

Ms. ALEXANDER. We worked with Representative Markey on that, and we support that, among other options. We just want to see this fixed.

Mr. TIERNEY. But that would work?

Ms. ALEXANDER. That would work, yes.

Mr. TIERNEY. Good. So now we have the history, and now we have everybody saying that they agree that they want to resolve the problem. And yet it is not resolved.

Let me tell you that last week, last Friday, Mr. Markey offered that legislation on the House floor. Not a single one of our col-

leagues on the other side voted for it. All of the people on our side did. It was offered again this week as a floor amendment. And again, not a single one of our colleagues on the other side voted for it, and everyone one of the people on this side of the aisle voted for it.

And last year, and the year before, let me go back. This is not a new idea for Mr. Markey, this is something he has repeatedly brought to the floor. So if we think that we all understand the problem, if we know the history, and if we all say we want to fix it, it always takes deeds to make things happen, not words. I hear a lot of words, we have seen no deeds.

So Ms. Alexander, we can offer this over and over. But until our friends on the Republican side of the aisle really want to put deeds behind their words, we are not going to get much action on that.

So what would you say to convince my Republican colleagues over here who are blocking the fix to this change, what would you say they should have in mind next time Mr. Markey brings it to the floor?

Ms. ALEXANDER. As I say, our position over time has just been, just get this done, just fix it. The Markey bill does fix it, so that is one way to do it, is vote for that. Come up with another solution if you have another solution that you think is better.

Mr. TIERNEY. Well, tell them why the Markey Amendment works. Tell them why you support it.

Ms. ALEXANDER. We support it because we think that it is a constitutional approach, based on what we have read, to putting the leaseholders of the no-royalty leases in a position where they have an incentive to renegotiate. And simply put, we just want to not continue to give away those resources. So we are looking at lots of different options.

Mr. TIERNEY. Thank you.

So let me say to my Republican colleagues, we understand the problem, we share what you say. Is your intention you want to resolve it? We have provided you with a perfectly good way, a legitimate way and constitutional way to resolve it. Let's work on it, and next time it comes up, maybe you will vote with us on it and we will get the matter resolved, \$53 billion back to our people, so we are not running around cutting matter from teachers and reducing Pell grants so students can't afford college, whacking job training so people who are unemployed can't get back to work. Let's get serious. Let's do something for real.

Mr. CUMMINGS. Will the gentleman yield?

Mr. TIERNEY. I will yield.

Mr. CUMMINGS. Ms. Alexander, one of the things that the report said was that, in some instances, information was being provided by the oil companies erroneously. And there was self-reporting. And in some instances, there was no reporting whatsoever.

Could you comment on that, please?

Ms. ALEXANDER. The issue of self-reporting, this is basically an honor system, here is our oil, take it, tell us how much you have taken. We don't think that is the right way to do business. We don't think that is Congress and the administration treating taxpayers like they have a fiduciary responsibility to manage our assets aggressively.

And I just want to give credit where credit is due, we do support the Markey fix, but we also have worked very closely with Chairman Issa. I think there is a real potential for a bipartisan solution on this. And from the taxpayers' perspective, it is just, move forward.

Mr. CUMMINGS. Thank you.

Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Pennsylvania, Mr. Meehan, for his comments, for 5 minutes.

Mr. MEEHAN. Thank you, Mr. Chairman, and thank you for the presentations from the entire board.

Mr. Dodaro, I didn't know for sure, but I was listening to the language. And I thought I picked up the Pittsburgh. Is Jim Dodaro your brother?

Mr. DODARO. No.

Mr. MEEHAN. OK, but it's the Pittsburgh in the voice.

Thank you for your presentation today. I come to this committee with a background that includes times as a U.S. attorney. In that capacity, I came in just after September 11th, when we were dealing with the issues of terrorism. We each share responsibilities in other committees as well, and one of those committees on which I serve is Homeland Security.

As a result, I think as each of us went through your very comprehensive assessment of Government spending in various capacities, but also the duplication, I was really struck for two reasons. One, with respect to sort of the bureaucratic overlay of so many agencies, but also what is at stake with the issue of bioterrorism. So I take a minute to read from your report at least five departments, eight agencies and more than two dozen Presidential appointees overseas, \$6.4 billion related to bioterrorism.

Then on the front end of this, we are saying there is no broad, integrated, national strategy that encompasses all of the stakeholders with biodefense responsibilities to identify the risks systematically, access the resources that are needed to do it, and then to prioritize and allocate the investment across the spectrum. So that is on the front end, to prevent an incident.

Then you conclude, there is no national plan to coordinate Federal, State and local efforts following a bioterror attack. And the United States lacks the technical and operational capabilities required for an adequate response.

This could be Katrina all over again. We are really on the front end of a remarkable challenge. And from my work on the Homeland Security Council, bioterrorism is a very real threat. Can you take a minute and comment on this very, very important aspect of this report?

Mr. DODARO. Yes, I would, thank you.

Following September 11th, there was a lot of focus on protecting the transportation system, particularly the airline industries. Then what we were trying to focus on, and I think the 9/11 Commission, was, what are the other potential risks to the country, what are other avenues that could be pursued. For example, smuggling information or threats over the border physically, other modes of transportation.

But the biodefense area is one that we felt, for a number of years, wasn't getting enough attention, and understanding what the threats were, having an appropriate plan in place to be able to do it, it is like a number of areas that really requires multiple agencies to be involved. And there really hadn't been a means to coordinate that.

We tried to elevate this to the Homeland Security Council and the National Security Council, which are well postured to be able to do this. We haven't gotten as much response as I would have liked from them in this area, to provide the proper leadership. So I do think this is an area where congressional oversight is warranted, and from my perspective, would be very welcome, to bring about some of the very important things that could be done to make sure we are in a position to detect and prevent something, not only in a position to be reacting after the fact.

Mr. MEEHAN. Mr. Davis.

Mr. DAVIS. Mr. Meehan, let me just say, if you think that is tough, you ought to look at cybersecurity, where you have Intel, DHS, DOD, and every agency doing a different approach to FISMA, the Federal Information Security Management Act. I think it would be even more alarming.

Mr. MEEHAN. Well, I only have 50 seconds, but I am going to ask both of you, in response to this, would you tell me how we look at creating the kind of mechanism where there is a national strategy and a focal point where we can get a single point of response that enables us to both be prepared on the front end, to coordinate these assets, and as importantly, in the event that we have an incident, to be able to respond effectively on the back end? We have asked for attention to be paid. I understand maybe you can tell me the history here. But what is the solution? What works best in terms of how we organize and then seek accountability?

Mr. DAVIS. I will take a quick stab. One of the problems at the executive branch level is jurisdiction and turf over who is going to be in charge. This is going to take engagement from the Congress, from both parties, with the administration in figuring out a path and moving ahead. We haven't had FISMA revisions since 2002, long overdue. But I think it is going to take a lot of dialog and a lot of bipartisan cooperation to move this ahead. But it has to be done.

Mr. DODARO. I agree with that completely. This needs top level congressional and administrative support to be able to do it. You can't work with the agencies on a peer level and expect that they are going to create this type of mechanism. That is the fundamental problem.

Mr. DAVIS. And I would just add, I didn't grow up in your district, but I had two of my kids who went to Swarthmore College in your district.

Mr. MEEHAN. Well, they are obviously very bright children. [Laughter.]

Chairman ISSA. Ending on that high note, the gentleman's time is expired.

We now recognize the gentleman from Vermont, Mr. Welch, for 5 minutes.

Mr. WELCH. Thank you very much, Mr. Chairman.

Mr. Dodaro, that is a great report. I really want to thank you for it. I thought what, among other things, was terrific about it is it was balanced, it looked at the whole problem, not just the loss from duplication, but also the loss from inappropriate tax subsidies, improper payments, the error rate in our payments. So it was quite comprehensive and extremely helpful.

Mr. Chairman, I want to thank you, too. I think the focus of this inquiry is really important. Mr. Ranking Member, I really appreciate it.

I am asking a little bit about the oil subsidies, because it is an easy target for us, but astonishing that it isn't taken care of. Your report indicated \$53 billion would be saved by taxpayers if we eliminated that oil subsidy for royalty-free drilling at a time of \$100 a barrel oil. So you fully support eliminating that subsidy for the oil companies, so we can save money for the taxpayers?

Mr. DODARO. We were asked to calculate what it would be if that had been in place properly during that period of time.

Mr. WELCH. Right. I would ask you what you support, if it would be \$53 billion.

Mr. DODARO. I believe that is the high end of our estimate. But what we are trying to focus on—

Mr. WELCH. Let me just go on, I will come back to you in a minute.

Ms. Alexander, you indicated that was, again, I applaud you because you are taking a comprehensive approach, you are looking at all the elements of how the taxpayer is getting hammered unnecessarily. But that oil subsidy was something you spoke about as well, that we should get rid of. The oil companies disagree, and they spent about \$340 million in the past 2 years lobbying to retain this taxpayer help.

Ms. ALEXANDER. It is the oil companies' job to make money drilling oil and selling it. It is Congress' job to have a fiduciary role and take care of taxpayer dollars. We are looking out for the taxpayers, and we think there is room for a fix.

Mr. WELCH. Is it your view that if there are going to be taxpayer subsidies, and that is an expense to every taxpayer in the country, but the intention is to create jobs, that subsidy should go to emerging technologies and industries, not mature and profitable industries?

Ms. ALEXANDER. We take a skeptical look at all subsidies, and certainly, as a starting point, we want to know what we are getting for our tax dollars. If we are putting a dollar into an industry, we want to know why we are doing it and what our goals are. Are we trying to get jobs out of it and we are not getting jobs? Then it is an ineffective subsidy. If it is a very profitable industry that is mature and should be able to take care of itself, then it shouldn't need subsidies.

We are going to be skeptical about subsidies to new and emerging technologies, and set very high performance standards. There is a reason and a timeframe.

Mr. WELCH. And basically, that skepticism is appropriate. It should be applied to a tax expenditure, which costs the taxpayer money, just as it should be applied to any line item expenditure in the budget, correct?

Ms. ALEXANDER. We see it that way, yes.

Mr. WELCH. Mr. Davis, some people say you are a real smart politician. I am going to ask you really for some advice.

Mr. DAVIS. I am a reformed politician. [Laughter.]

Mr. WELCH. In this room, we have the Democrats who tend to hammer away on what we see as tax giveaways. And a lot of times the other side of the aisle is focusing on duplication. My view, we are both right. Where there is duplication, we ought to eliminate it. Where there is a freebie tax subsidy, we ought to eliminate that. But we are sort of arrayed on opposite sides of the line here, and I know that the chairman and the ranking member want to save taxpayers' money. That is the ultimate goal.

I wonder what you would think of us trying to pair off areas where we agree. In other words, Mr. Lankford is doing good work in his subcommittee. You mentioned, for instance, duplication that makes no sense, VA and DOD records. Why don't we have one set of medical records. What if we paired that with, say, getting rid of the ethanol subsidy, where there does seem to be some bipartisan support, and you are doing them together? Or another pairing might be these oil subsidies that just serve no purpose and cost the taxpayers \$53 billion, and we pair that with following your advice, where we have different Federal agencies requiring the States to accommodate each one of their different standards for verification? It makes absolutely no sense.

So how do we, my frustration here at times is that it seems like it is a political impediment that inhibits us from taking appropriate action that can make real progress. And in your testimony, you suggested to us that we look in the mirror. Frankly, I think that is pretty good advice.

And my goal here would be to save taxpayers' money. Where there is duplication, we can agree on, it ought to be eliminated, let's do it. Where there is a tax expenditure that is just a ripoff from the perspective of the taxpayer, let's eliminate it. From a moving ahead, making progress on what the chairman and ranking member want to accomplish here, do you think that makes some sense?

Mr. DAVIS. It not only makes sense, it is essential if we are going to move ahead. You have a Democratic administration, you need an administration buy-in. You have a Congress that is divided. And when it comes to waste, you say one man's pork is another man's steak, but on a lot of these efficiency issues, I think we ought to be able to come together on this committee, sit down, we are not going to agree on everything.

But there are enough things we agree on, put together that report and then you have to drive it. Then you have to go to the administration, you have to go to the floor. And look, let's face it, there are interest groups outside of this committee room that want to weigh in on some of these subsidies and the like. It is easy to talk in a vacuum where you have your bean counters here, these are the numbers. But when you get outside, it becomes a little more difficult.

So this committee, I think, could play a very vital role in coming together with a strong bipartisan report and pushing that, holding

hearings on that. I think you could get everybody back again, once you get some agreement on this and trying to drive it.

The frustration I felt up here in 14 years in the House is just, there is no sustainability to this. You get a report, you have a hearing, you get a little momentum, and you forget about it and you move on to the next new thing. But this is something this committee was empowered to do when it was formed back in the 1950's. I think it is something that, we are not going to agree on everything. But there are enough things we agree on, we could put together a pretty juicy report, and I think save the taxpayers hundreds of billions of dollars. So I think it is a good suggestion.

Chairman ISSA. I would give you more time if I possibly could, because you were on all the right message. I thank the gentleman.

We now recognize the gentleman from Pennsylvania—we are very Pennsylvania-oriented committee, as you know—Mr. Platts, for 5 minutes.

Mr. PLATTS. Thank you, Mr. Chairman. I certainly thank all three of our witnesses. It is great to have all of you here, and your insights.

Mr. Davis, I actually, with all respect to the current chairman, I always want to say, Mr. Chairman, great to have you back as well.

Chairman ISSA. Let it out, just keep letting it out. [Laughter.]

Mr. PLATTS. Your insights are certainly very helpful to us. I want to commend Senator Coburn for having sponsored the legislation and the result in this report, and the important work of GAO and now following through on the assignment. Really what I see is the beginning of the process, the first of what will be hopefully a lot of dialog between GAO, this committee and its important work. Tom, you touched on it perfectly, sustainability, that we don't just talk about these things, but we follow through.

As when you were chairman and now with Chairman Issa, I have the privilege of chairing the Subcommittee on Government Organization, Efficiency and Financial Management. I assure you, we will do our best as a subcommittee to sustain this effort from the legislative side and working with all the parties.

On a specific issue, when you think about what is in the report, what is highlighted, and the inefficiencies, the duplication, the waste of resources, teacher quality, education of our kids, employment training, especially with unemployment over 9 percent for almost 2 years, DOD, Homeland Security, these are all top priorities for our country and for our citizens. Yet, we know we can do a lot better with the resources we are putting into them.

Two first questions, Mr. Dodaro, to you, and this probably will be maybe in a followup hearing with you or staff on the subcommittee level, as you looked at some of the duplication such as the \$4 billion on teacher quality, is there any ability to give even a guesstimate of savings, administrative savings, if we took those 82 different programs into even half that number? Any ability to give a guesstimate of that \$4 billion, how much could we likely save from eliminating the duplication?

Mr. DODARO. I will go back and take a look and work with the team. I don't think we were able to do it, because there are a lot of limitations on the amount of information that is available on

what it costs to administer some of these programs, particularly those in this case that are administered through the State and local level. But we do believe there is plenty of opportunity here to consolidate programs. And as I mentioned earlier, in the administration's proposal for education reform, they are already proposing to consolidate 38 of these programs into 11. So I think there are a lot of opportunities. I don't have a cost estimate. I wish I did.

Mr. PLATTS. And I think that is a positive sign here, your reference to Secretary Duncan and DOE, looking at trying to be proactive in that consolidation effort to be more efficient.

A follow-on, and I think it is a similar answer, that you don't have the ability to have the details at this point, and that is, I am going to stay with teacher quality, teacher preparation, those 82 programs, I don't think you probably have the data available to you right now to do a cost benefit analysis to say, all right, we have these 82 programs, these 5 over here we can show have really done a great job. These other 77 are struggling. Is that accurate, that at this point you don't have the data or info to be able to get to that detail, that cost benefit analysis?

Mr. DODARO. That is correct, especially for the smaller programs. We do mention in the report that a number of the smaller programs are so small, it is hard to evaluate them.

Mr. PLATTS. That under \$50 million number, what the administrative costs, what the savings would be?

Mr. DODARO. Right. That is correct.

Mr. PLATTS. In looking ahead to the hearing process, I have to tell you, the temptation is to try to make the point about the duplication, to invite one representative from all 82 programs on just teacher education to come. We would fill the room, there wouldn't be any seats left, to make the point that your report does, that we need to do a lot better here.

An additional question I am going to try to squeeze in here, improper payments, huge issue, you reference \$125 billion as probably the low end. That is what we know or think we know about it, who knows how much is really out there. Any specific recommendations? Because when we think of how to balance the budget and deficit reduction, it is entitled reform. And two of the biggest areas of improper payments are Medicaid and Medicare. Any specific areas you want to put us toward regarding improper payments and those two programs?

Mr. DODARO. The first thing I would say, in the Medicare area, there needs to be an estimate for the prescription drug component. Right now there is not, so the estimate is incomplete.

There are opportunities to use more information technology up front to help detect, and we are looking at and evaluating opportunities right now. We talked about it at the high risk hearing with Chairman Issa. So we are looking at that issue.

I think the Improper Payments Elimination and Reporting Act that was passed by Congress last year is a very important vehicle. It lowers the thresholds, it requires accountability, it requires regular reporting, setting of targets and followup and transparency in reporting. So I do think this is a really important area that, with sustained attention, that we can make a lot of progress on going forward.

Mr. PLATTS. Hopefully we can sustain that effort with you. Chairman Davis, did you have something to add?

Mr. DAVIS. I would just add, improper payments I think has been constantly a problem for government. And this legislation helps. There are so many great software items out there on fraud detection, anomaly detection and the like that aren't being utilized. I think you need to continue to push that from here.

And I would just add, share and savings contracts are something the Government needs to look at in some of these areas. That is basically that you don't pay anything unless you get a return, and then you can do a percent from that, and it is negotiated down. They are legal under the FAR, but they are rarely used. But it is a great way to get something out there quickly. It doesn't have to come out of budgets at this time. It is a net-net to the Government. I throw that out for discussion.

Chairman ISSA. I thank the gentleman.

Mr. PLATTS. Thank you, Mr. Chairman.

Chairman ISSA. The gentlelady from the District of Columbia, Ms. Norton, for 5 minutes.

Ms. NORTON. Thank you very much for this hearing, Mr. Chairman, it is a very important and helpful hearing.

I have a question for Mr. Dodaro, and my good friend, Mr. Davis, my regional neighbor and good personal friend. But I am going to give you a pass on the topic du jour. I am not going to ask about oil subsidies. In fact, I am going to ask you about a subsidy that lies way beneath the surface.

I am ranking member of a committee that has to do with property and property disposal, also with building and leasing. I note, Mr. Dodaro, that among your lists of areas identified was, and I would like you to elaborate upon it, because it is stated so tersely, "improve cost analyses used for making Federal facility ownership and leasing decisions could save tens of millions of dollars."

Let me give you an example. We just built a beautiful Department of Transportation building just a few years ago. It is huge, it was state-of-the-art. Guess what? We built the Department of Transportation, it will always be there, it is a headquarters building, we built it, built by a developer, we have a 15-year lease on it. When that lease is out, we probably shall have bought the building. Then we will start buying the building again.

I believe this has a lot to do with scoring. What changes do you think should be made and who should make it? We run up against these humongous losses, it is not tens of millions, it is billions of dollars, because we don't do real estate the way the private sector does it. How should we change scoring? Who should do it? Is it administrative? Does it take an act of Congress?

Mr. DODARO. We have recommended that OMB come up with a proposal to be able to deal with this issue. That has not been done yet. But it is a combination of action by OMB, working with CBO and the budget committees that really would have to make a change in the scoring rules. I think it is appropriate. There needs to be flexibility. It is not always one way or the other, but there needs to be a good cost benefit study, and the government and the taxpayers would benefit.

Ms. NORTON. Yes, all I am asking for is that the Federal Government not have one way of doing real estate transactions, while the rest of the country does it another way. The first thing you have to look at is, why does everybody else do it that way? Why do you buy a home with the mortgage, and if you are the Federal Government, you have to put the money straight down? Why is that better for the taxpayers?

Mr. Davis, I was interested, in light of your, this is so Davis-like, win-win approach to things, this notion of trying to find ways to work together on these things, I noted that in property disposal, I have just signed a letter with the chairman of the subcommittee, in which we are asking GSA for access to their database on excess property. Now, the President has a whole study on excess property going on, and now you see our committee interested as well.

So you see the administration, you see this committee and you see the appropriate subcommittee all going at the same issue, all seeing that there are dollars there. What role, Mr. Davis, having been chairman of this committee, do you think the committee should play now that there are so many actors interested in this low-hanging fruit?

Mr. DAVIS. Well, and there is an initial actor. Martha Johnson, the Administrator at GSA, has put a team together, her own advisory committee on this subject, too, of doing away with surplus properties. You have a lot of cooks in the kitchen right now. This committee needs to drive an outcome. I think you need to hold their feet to the fire. We need to put some time limits on this. This has been around a long time, before I came to Congress, trying to dispose of property or utilize dilapidated properties in a way that we can rehabilitate them, use them, sometimes share it with the private sector.

What we need to do here at the subcommittee level is continue to hold hearings and drive it and keep their feet to the fire. You have to put time limits on this, or the clock runs out. I think Mr. Dodaro's report shows a lot of savings in this, if we can get it right.

I would just add one other thing on the scoring. I hate to mention this, but you get frustrated, Congress can always direct scoring, too, if you don't get any action out of the——

Ms. NORTON. What do you mean, direct scoring?

Mr. DAVIS. You can direct scoring. You can write the rules for scoring. We have done it, I don't say we do it all the time, but we have done it with some frequency.

Ms. NORTON. Save a lot of money. I yield back, thank you.

Mr. PLATTS [presiding]. The gentlelady yields back, and another former chairman of the committee, Mr. Burton, recognized for 5 minutes.

Mr. BURTON. Tom, it is good seeing you again. I understand you are out there in the private sector making lots of money. So it is good to see you. See, he is blushing.

Mr. DAVIS. Not this morning. [Laughter.]

Mr. BURTON. Well, anyway, welcome back. It is good seeing you. This picture simply doesn't do you justice.

But anyhow, I would like to make a brief comment about Mr. Tierney's remarks a few minutes ago when he was here. I wish he was still here. We checked on the issue that he raised on that

recommittal motion. The reason that recommittal motion failed was because they were, in effect, I don't like to use the term blackmailing, but blackjacking the oil companies into renegotiating leases that had already been agreed to in order to get a new lease. And that is something that I think most people would agree is a violation of law. The leases, some of them are for 20, 25, 30 years.

And there was a case, and I am stating all this for the record, there was a case, the Kerr McGee case in 2007 that went to court, where they tried to force a renegotiation of the contract, and Kerr McGee won because the contract was valid and the government had no right to go back and insist on a change in that, simply because they wanted to get more back from the company.

Now, I think there is a way that we can do this in the future. We have talked about this up here. That is, we can encourage them, when we negotiate new leases, not threatening the old leases, but when we renegotiate, when we negotiate new leases, to create a better way to get those funds back that would help bring more money into the Treasury and reduce the debt.

I would like to go into this a little bit further, this is a little off the subject at hand but I think it is extremely important. We have been talking about this, and I noticed on the news in the last few days, there are more and more commentators and "experts" that are talking about it, and that is, our dependence on foreign energy. It plays into what we are talking about in an unusual way.

We import about 63 percent of our energy. Back in 1972, when we had the oil embargo, it was about 25 or 26 percent. So we have more than doubled our dependence on Middle Eastern oil, oil coming from Mexico, Canada and Venezuela, the communist dictator down there, Chavez. So we are in a position right now where if these oil supplies were in jeopardy, we could see the cost of oil per barrel go through the roof and the cost of gasoline and other things that we use oil for, as far as energy is concerned, go through the roof.

I got some gasoline last night, which may not be of interest to anybody, but it was regular gasoline, and it cost me \$3.57 a gallon. And that was the lowest that I could find on the entire George Washington Parkway. So the cost is higher than that here in D.C., and it is going up. Some people say that there is a disruption of the oil supplies coming in from the Middle East alone, if we had a blockage of the Suez Canal or the Straits of Hormuz, or the Persian Gulf, that we would see oil and gas costs go through the roof. You could see \$5, \$6 a gallon gas.

Now, we deliver, in this country, a great deal of our resources by truck. T. Boone Pickens was in to see me about a week or two ago, and he told us if we converted or got all of the 18 wheelers to use natural gas, we could cut our dependence on foreign oil by 50 percent within the next decade. That one thing. And yet we are not drilling or doing anything to explore for energy in this country. We can't get new oil leases, we are getting all kinds of environmental issues raised that way, we can't drill here, we can't drill there. We have trillions of gallons of coal shale that could be converted to gas to oil, we have oil all over this country, in the ANWR and off the continental shelf and in the Gulf of Mexico. We have trillions of cubic feet of natural gas, and we are not doing anything.

So we are in effect creating a greater dependency on foreign energy than we ever have in the history of this country. We have gone from 25 percent to 60 some percent dependence on foreign energy, since we had the oil embargo, where people were walking four blocks to get a can of gas to get to work.

If you would just give me another 30 seconds, Mr. Chairman. I think it is extremely important, and I know this is off the subject and I really appreciate your being tolerant of my comments here. But I think it is really important, when we are talking about renegotiating or negotiating oil leases or gas leases or whatever we are talking about that we realize, we have a huge dependency on foreign energy. And this country, from an economic standpoint, and a defense standpoint, could be in a terrible situation if we don't move toward energy independence.

I think all of us, all of us on this dais and all of us, regardless of whether we are Democrat or Republican, ought to be talking about ways that we can move in this direction as quickly as possible. Because if we don't, and things go south in the Middle East or in Venezuela or elsewhere, we could really see problems, lights off, gasoline going through the roof, the cost of all the goods and services that are trucked going through the roof, an inflationary spiral that could kill this country.

With that, I thank you very much, Mr. Chairman.

Mr. PLATTS. Thank you.

Mr. DAVIS. Mr. Burton, can I react to that for just a second? I think you are on, but can I just make one comment?

Mr. PLATTS. Sure.

Mr. DAVIS. You have to remember, the stone age didn't end because they ran out of stones. Our dependency on oil, it is not because we run out of oil. There are going to be alternative fuels developed. That, I think, continues to be the long-term strategy.

What is the most frustrating is about Congress' inability, and I was part of this, to come to grips with some kind of defined energy policy that has more domestic production, as you have noted, more research and incentives into alternative fuels, which we have started to do, and then more conservation. It is a three-pronged deal. The parties should be able to come together on this or exactly what you say is going to happen.

Mr. BURTON. Mr. Chairman, let me just make one brief comment. That is, the things that Chairman Davis just mentioned is absolutely accurate. We need a comprehensive approach.

But a lot of these things they are talking about are going to take time, it is going to take 5, 10, 15 years. We don't have the luxury of time. We need to get moving on energy independence right now.

Thank you very much.

Mr. PLATTS. The gentleman yields back. Having had the privilege to serve under both former chairmen, how could I not agree with both of you. You make great points when we talk about energy independence. It is economic security, it is national security. They are all intertwined.

With that, I yield 5 minutes to the gentleman from Missouri, Mr. Clay.

Mr. CLAY. Thank you so much, Mr. Chairman. Let me first welcome Mr. Davis back. Your portrait and Mr. Burton's certainly look good in this freshly painted hearing room, don't you think?

Let me start my questioning with Mr. Dodaro. Thank you for your testimony, and recommendations on ways we can make the Federal Government more efficient and save taxpayer dollars. I would like to focus on the Department of Defense.

I am concerned about DOD's pattern of negative appearances in GAO reports. As we continue to increase DOD's budget, the agency continues to be plagued by inefficiencies, duplicative programs, waste and in some cases fraud. In your report, you identified the DOD's military health system as an area of concern for duplication and redundancy. The report states that the DOD military health system has no central command authority or single entity accountable for minimizing costs and achieving efficiency. That is very troubling, given its mission.

Can you share with the committee the annual costs of DOD's military health system, and what are the projected cost increases through 2015?

Mr. DODARO. It is about \$50 billion.

Mr. CLAY. Fifty billion for the health care. Wow.

Mr. DODARO. Right. We point out in the report, too, that health care costs at DOD, just like they are in other parts of our economy, are growing. The area that we mention in terms of military health care commands is something that has been studied by the Defense Science Board and others, or recommendations within DOD to do it. And they pursued a strategy that had minimal changes involved. We think if they pursue a broader strategy, it would be very important.

Also in the health care area, Congressman, is the cost of prescription drugs, which is a fast growing component of health care. We think that DOD and VA working together, which they were doing a few years ago, could yield some benefits by leveraging their purchasing power as well. They have agreed to start revisiting that issue.

Mr. CLAY. Thank you for that response.

What impact do you think the system's redundancy and command structure issues have on those costs?

Mr. DODARO. The estimates that were made at the time, savings could be achieved between \$250 million and I think over \$400 million a year, depending on the nature of the consolidation.

Mr. CLAY. OK, so that would kind of help save taxpayers, if they took the recommendations and implemented them?

Mr. DODARO. That is correct.

Mr. CLAY. And right now, they are pretty much ignoring them?

Mr. DODARO. They have made some minimal changes in that regard. But we think they could do more.

Mr. CLAY. OK, and you have recommended alternative concepts that have been on the table for a while, in addition to your report, the Center for Naval Analysis did one in 2006. And you also report that DOD officials generally agree with the facts and findings of your analysis on their health system. With rising costs in the billions, with DOD's health system and clear inefficiencies, do you think DOD is doing enough right now to make improvements?

Mr. DODARO. I think they can do more, as we pointed out in our report. We have encouraged them to do so. We will continue to do studies, basically outlining what some of the options would be. For example, a single military command is an option. There are other options that could be pursued. But this is a case where there is cultural stovepiping by the services, and there needs to be some broader leadership brought to bear. I think it is warranted, giving the fast-rising health care costs.

Mr. CLAY. Thank you for that response.

Mr. Davis, going back to an efficient energy policy, one argument we hear is that eliminating these subsidies would cost jobs. I note that from 2005 to 2009 the top five oil companies have reduced their U.S. work force by more than 10,000. What would happen if we shifted these subsidies from oil to wind or other domestic producing energy initiatives? Wouldn't that spur job creation in this country?

Mr. DAVIS. I am just not an expert on those areas. I am one who would let the marketplace set that, rather than some of these incentives. But we are starting to incentivize wind, we are starting to incentivize some of these other areas. It is having an effect, not just on job creation, but pre-positioning us for the future, and a global economy.

Chairman ISSA [presiding]. I thank the gentleman.

Before I recognize Dr. Gosar, we have a request from two Members who have had to leave the dais that there be unanimous consent for the General to revise and extend your report. I understand there is some additional detail that has been requested your people say they could give us in supplemental for this report. Is that amenable to you? We will leave the record open for you to supplement with any additional details, for example, the 80 programs and four agencies, naming them, those sorts of things.

We realize that is not easily put together in 1 day.

Mr. DODARO. Yes, we will do that.

Chairman ISSA. I thank the gentleman.

Dr. Gosar is recognized for 5 minutes.

Dr. GOSAR. Mr. Davis, I am currently co-sponsoring resolution 606, which establishes a bipartisan Presidentially appointed sunset commission that identifies failed programs and those that are not achieving their goals, to review them and subject them for termination. I suspect the commission would review this committee's work.

With your experience, what are your thoughts on this, if this legislation were enacted into law?

Mr. DAVIS. If I were in Congress, I would co-sponsor it. I think that is a good place to start.

One of the things you have to remember is when you start talking about programs that don't work or that have expired and the like, that there are a lot of interest groups out there that really don't care about efficiency. And they push Members, and they have their say in this by the time it is over.

So it is great to have a GAO or a commission like this that can call the balls and strikes. And then it gets harder for some of these groups to defend some of these subsidies and some of these pro-

grams that may not be doing well. So I think it is a wonderful idea. It is another starting point on this.

The only point I would make is that in all of this, it is sustainability, keeping the momentum going. It is a lot easier to make government work more efficiently and to take costs out of government in terms of delivering services than it is to cut programs. That is where our focus needs to be.

Dr. GOSAR. Thank you.

Ms. Alexander, would you see this as a real benefit that taxpayers could get behind?

Ms. ALEXANDER. We supported different forms of sunset commissions in the past. It is something that, we would look at the details of your resolution, but certainly we are open to the idea.

Dr. GOSAR. Good. Mr. Dodaro, to Mr. Mack's earlier questions, you mentioned real property owned and maintained by the Government that are unnecessary and not being used. In your view, what is the best method to get the agencies to part with this property and sold to the private sector? What are our next steps to make this happen?

Mr. DODARO. We have recommended in the past, OMB chaired, and they do have a real property council at this point in time. I think Congress should require regular reports on a quarterly basis from OMB about what the plans ought to be to dispose of property. Right now, there are over 45,000 buildings that are under-utilized. That has grown over the past year by 1,800 buildings. The cost to maintain under-utilized properties, over \$1.6 billion a year. So I think there needs to be plan.

Now, the administration has set goals to try to dispose of property by the end of 2012. But I think it is part of Congress' responsibility to hold them accountable for what progress they are making toward achieving those goals.

Dr. GOSAR. Thank you very much. I yield the balance of my time.

Chairman ISSA. Would the gentleman yield?

Dr. GOSAR. I would yield.

Chairman ISSA. Thank you. Mr. Dodaro, have you looked at some of the excess property in sufficient detail to look at things, for example, I was out at Moffett Field on a committee fact-finding. We discovered that NASA was utilizing a relatively small portion of it, leasing out a small portion of it profitably, and then leasing out for de minimis amounts large amounts of it for non-core business that was important to the community.

Have you looked at those sorts of things, of whether or not agencies holding land that is not technically under-utilized, but being utilized for non-core functions, did you look at any of those sorts of items?

Mr. DODARO. I would have to go back and check with my team and I will provide you an answer for the record, Mr. Chairman, on that.

Chairman ISSA. I appreciate that.

One additional one is, you talked in terms of, the other side was asking questions, and I think it was very insightful, you were almost saying we need a second Goldwater-Nichols, that we need to go further in merging the command structures of the military from

the standpoint of spending. Is that pretty much a succinct part of your report?

Mr. DODARO. I think there needs to be some outside intervention, in order to break some of the stovepipes down at DOD.

Chairman ISSA. Chairman Davis, you have certainly seen this and you were here for the BRAC process. Would you say that in fact, that is one of the things that committee should look at, is lessons learned and failures, if you will, post-BRAC, when they no longer belong to the military, yet they are still costing the taxpayers?

Mr. DAVIS. Well, one of the problems, the McKinney Act was passed, I think, with the greatest of intentions. But at the end of the day, I think the priorities have shifted from how do we use this land in the community in some cases to how do we put this back on the tax rolls. Which also helped those communities, and how do we get money back to the Federal Government. We are borrowing 40 cents on the dollar. It is just not sustainable. We have to start looking at costs. I agree.

Chairman ISSA. Thank you. And one last question, as a followup, Ms. Alexander, you have been very supportive of many fixes. I remember that your organization and several others were supportive of us stripping the courts of the ability to make the decision that they unfortunately made that puts us with these billions being lost through oil leases that were flawed. And I know that we agree to disagree on whether or not Mr. Markey's fix would be held constitutional, or whether it would fall into that punitive.

But more broadly, have you looked at what could be gained by Congress taking all of the various subsidies, oil being one of them, but there are other energy subsidies, and requiring them to be brought together, something that follows the theme that we have been talking about here today?

Ms. ALEXANDER. We haven't specifically looked at how to package all the energy subsidies together. We tend to, our work has been to look at individual subsidies. But certainly, we recognize the need for a comprehensive energy policy, and to look at whether or not each dollar is going toward a common goal. So that is something we would be happy to work with the committee on. We have looked at lots of different energy subsidies across different fuels. We try to look at them together, but we understand the difficulty of looking at them all side by side. We certainly don't think that we have apples to apples comparisons coming out of the administration or Congress as often as we would like.

Chairman ISSA. We look forward to working together on that.

With that, we recognize the gentlelady from New York for 5 minutes.

Mrs. MALONEY. First, I would like to welcome my former colleague, Tom Davis, who did an extraordinary job as chairman of this committee, on which I was honored to serve. He was always a good fighter for the partisan cause, but also reasonable and listened to the minority and we worked together on a lot of good bills. It is good to see you, we miss you, Tom, welcome back.

Mr. DAVIS. Thank you.

Mrs. MALONEY. I want to thank Mr. Dodaro for your excellent report. It is really very helpful, and the chairman, for focusing on it.

This is a time that we need to look at ways to protect taxpayers' dollars and start reducing that deficit and debt.

Your report says that some oil and gas companies are not paying what they owe under existing leases. I think that is a little bit of an understatement. Your investigation examined royalty reports for 2006 and 2007, and found that many were simply missing. They also found many sales reports were erroneous.

Specifically, your report states that you found numerous instances in which oil and gas production data were missing or sales data appeared to be erroneous. Is that correct?

Mr. DODARO. That is correct.

Mrs. MALONEY. For just these 2 years alone, 2006 and 2007, your investigators found that oil and gas companies may have withheld \$117 million in uncollected royalties. That is a staggering amount. Your report indicates that one reason this may be happening is because we rely on oil companies to self-report.

Mr. DODARO. There needs to be more verification by the Interior Department of the data to make sure that the Federal Government is getting, there is reasonable assurance that they are getting the revenues that are there. So there is a set schedule for verifications that are supposed to occur. But the Department was way behind in maintaining that schedule.

Mrs. MALONEY. Well, why in the world are we relying on them to self-report, when we have documentation that they are not capable of self-reporting accurately? Why in the world don't we have the royalties reported, what is due, by the agency, or at least a third party? Why in the world are we relying on the oil and gas industry that is not reporting accurately, according to your own study after study after study?

Mr. DODARO. Our recommendation is that there is more verification that needs to be done by them.

Mrs. MALONEY. But you are still letting the companies verify, correct?

Mr. DODARO. No. Interior needs to verify.

Mrs. MALONEY. Interior needs to verify.

Mr. DODARO. Having self-reported information can work if there is verification by the departments of the checks and balances, rather than go out and have people independently measuring it. So it can work, but the Department has to do their part to protect the taxpayers. That is what you are saying and that is what we have said in our recommendations.

Mrs. MALONEY. Well, also in your recommendation your report proposes that the Federal Government use independent third party data to provide greater assurance that royalties are accurately paid. But my question is, do you think it is better to have a third party or just have Interior do a better job verifying?

Mr. DODARO. Well, Interior needs to do a better job verifying it. They can use their own verification, they can use other third parties to corroborate as well. That is what we do in doing our audits and verifications. You should use everything that is available to you to corroborate data, to make sure that the reporting is as complete as possible and that taxpayers are protected and we are getting the revenue that we deserve.

How much do you estimate we would be able to bring in if they verified it in an appropriate way?

Mr. DODARO. We don't have an estimate right now.

Mrs. MALONEY. And why is it taking so long? Are they verifying now in a better way? Have they taken the steps to respond to your recommendations?

Mr. DODARO. They are starting to, from the team. We are going to be following up and staying on this, and we will provide regular reports to this committee.

Mrs. MALONEY. Do you think it is important that maybe we need to legislate that they verify, to make sure it happens? What do we do to make sure this happens?

Mr. DODARO. I think you ought to have Interior up here and explain what they are doing and the importance of doing it. I think a regular oversight is important. We have done work. The Inspector General has done work over there. We are continuing to do our part. So I think that it is good to have sustained followup with the department that is responsible for handling these matters.

Mrs. MALONEY. Well, I regret that there was an amendment that I authored in another committee, and the debate went on just until now. So I missed a great deal of your testimony. In the 21 seconds left, I would like to ask you, in your report, what other area in government can we manage better and save funds? Obviously the oil and gas has historically been an area of tremendous abuse, particularly on oil extracted from federally owned lands. But what other category in government do you think, if we managed it better, we would be able to save taxpayers dollars and make a dent in this terrible deficit we have?

Mr. DODARO. Our report discusses opportunities virtually across government. The Department of Defense is an opportunity there, I think, for significant savings. I also mentioned the need to focus on revenue collection, where we are not cutting, we are actually getting more than we are owed in from a revenue standpoint, beyond the Interior issue. I think the IRS can and should implement a number of our recommendations to take that area on.

I think we have also recommended that tax expenditures be brought under regular review. That is almost as much as discretionary spending in a year, in revenue foregone.

So I think all those are really good opportunities, to be able to save moneys and to be more efficient. But in tackling our deficit, efforts there have to go beyond just these programs and to entitlement spending as well.

Mrs. MALONEY. My time is expired. Thank you.

Chairman ISSA. I thank the gentlelady.

Mr. DAVIS, I think you wanted to respond to that also.

Mr. DAVIS. I just wanted to, Mr. Issa had asked a question earlier where he talked about, he asked something similar. There is a lot of savings between agencies, where they can chart sharing services. I know they allude to that in the report. It wasn't just the focus of this report. But agencies can share services. Right now it is just very stovepiped in terms of the way they look at it, the way they are budgeted. And they are reluctant to do that.

But you could save literally billions of dollars, probably tens of billions, if they could share services between agencies. As we talked

about, the best illustration being medical records between VA and DOD. There is no reason you need two separate lists.

But that is the kind of thing, the collaboration between agencies, that is not really existing now that could save a lot.

Chairman ISSA. I thank the gentleman.

In closing, actually for the gentlelady's edification, too, because I think Mr. Dodaro did it very well when he was explaining something to us, this third party data that we want to explore further with the GAO, the idea of when an oil company takes oil, they put it onto a tanker that is weighed and measured. They offload it and it is metered. This is all third party data, that if we gathered it all, it would be almost impossible not to see any discrepancies between what is reported and so on.

This is also, earlier, what they said about the IRS. The fact is that if somebody says, I don't have any money, and yet you see credit card receipts saying they are spending money, if that data is compared within the Internal Revenue Service, that third party collaboration, because remember, IRS is voluntarily reported, too. But some people don't quite report accurately, as they discovered when people were saying what they lost in Louisiana, and it didn't match anything that they had ever declared.

So I look forward to working with the gentlelady on that.

In closing, particularly for Mr. Dodaro, our intention in the committee is to have you back on a roughly quarterly basis. I hope that either you or a designated representative would be able to do that, so we can continue this dialog in a way to stay on top of what you are doing and of course, on top of what the administration is agreeing to do.

Additionally, I want to again repeat for the record that the commitment to go after a number of areas you have covered here today, including natural gas and oil, and find constitutional ways to keep from losing the money that we are losing, and particularly, we are going to have the new agency, the Ocean Energy Management, the old MMS, we intend to have them back. Out of deference to the reorganization that was announced by Interior, we are trying to give them a reasonable amount of time. But Carolyn, we are going to have them in, specifically, as we did when Chairman Davis had them in repeatedly.

So I want to thank the witnesses today. I would like to have you all back. I suspect, because of your expertise, we will have you all back. And this committee stands adjourned.

Mrs. MALONEY. And my statement in the record. I ask unanimous consent.

Chairman ISSA. Oh, sorry, and unanimous consent that your statement and all statements may be placed into the record, for up to 7 legislative days.

And all of you, by unanimous consent, may revise and extend for that same period of time.

We stand adjourned.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

